

In The Matter Of:
DAMIAN ORLOWSKI vs.
LARRY BATES

JOHN RYDER
June 1, 2015

Alpha Reporting Corporation
236 Adams Avenue
Memphis, TN 38103
901-523-8974



DAMIAN ORLOWSKI vs.
LARRY BATES

JOHN RYDER
June 1, 2015

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1 IN THE UNITED STATES DISTRICT COURT
2 WESTERN DISTRICT OF TENNESSEE
3 WESTERN DIVISION

4 DAMIAN ORLOWSKI, an)
5 individual, LYNN CECHEIN,)
6 an individual and AARON)
7 CARMACK, as Trustee of the)
8 Bryan and Mindi Carmack)
9 Revocable Trust, dated)
10 March 13, 2008,)
11)
12 Plaintiffs on behalf)
13 of themselves and)
14 all others similarly)
15 situated,)
16)
17 vs.) NO. 2:11-cv-01396
18 LARRY BATES, an individual)
19 FIRST AMERICAN MONETARY)
20 CONSULTANTS, INC., a)
21 Colorado corporation,)
22 INFORMATION RADIO NETWORK,)
23 INC., a Tennessee)
24 corporation, BARRY DENISON)
an individual, BARBARA)
BATES, an individual,)
CHARLES BATES, an)
individual, ROBERT BATES,)
an individual, BARRY)
FRIEDRICHS, an individual,)
STUART CADIEU, an)
individual, JOHN DOES A, B)
& C, individuals, and JANE)
DOES A, B & C, individuals)
Defendants.)

DEPOSITION
OF
JOHN RYDER
June 1, 2015

Page 2

1 The Deposition of JOHN RYDER is taken on
2 this, the 1st day of June 2015, on behalf of the
3 Defendants, pursuant to notice and consent of
4 counsel, beginning at approximately 10:00 a.m. in
5 the offices of Ballin, Ballin and Fishman, 200
6 Jefferson Avenue, Suite 1250, Memphis, Tennessee.

7 This deposition is taken pursuant to the
8 terms and provisions of the
9 Federal Rules of Civil Procedure.

10 All forms and formalities are waived.
11 Objections are reserved, except as to form of the
12 question, to be disposed of at or before the
13 hearing.

14 The signature of the witness is not
15 waived.

Page 3

1 A P P E A R A N C E S
2 FOR THE PLAINTIFFS:
3 AMBER GRIFFIN SHAW, ESQ.
4 Law Office of J. Houston Gordon
5 Lindo Hotel Building, Suite 300
6 114 West Liberty Avenue
7 Covington, Tennessee 38019
8 901-476-7100

9 FOR CHARLES AND ROBERT BATES:
10 TARRY BEASLEY, ESQ.
11 The Beasley Law Firm
12 1850 Poplar Crest Cove, Suite 200
13 Memphis, Tennessee 38119
14 901-682-2000

15 FOR MS. CINDY STANLEY:
16 RICHARD TOWNLEY, ESQ.
17 Ballin, Ballin and Fishman
18 200 Jefferson Avenue, Suite 1250
19 Memphis, Tennessee 38103
20 901-525-6278

21 FOR MR. RYDER:
22 LAURA S. MARTIN, ESQ.
23 Harris Shelton Hanover Walsh
24 One Commerce Square, Suite 2700
40 South Main Street
Memphis, Tennessee 38103
901-525-1455

ALSO PRESENT:
LARRY BATES, PRO SE

COURT REPORTING FIRM:
ALPHA REPORTING CORPORATION
Valerie Hall Gilliam, LCR
236 Adams Avenue
Memphis, Tennessee 38103
(901) 523-8974
www.alphareporting.com

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| <p style="text-align: right;">Page 5</p> <p>1 JOHN RYDER, 2 having been called as a witness, was duly sworn 3 and testified as follows: 4 EXAMINATION 5 BY MR. TOWNLEY: 6 Q. Good morning, Mr. Ryder. 7 A. Good morning. 8 Q. Will you give us your name for the -- go 9 off for 10 seconds. 10 (WHEREUPON, THERE WAS A SHORT DISCUSSION 11 HELD OFF THE RECORD.) 12 BY MR. TOWNLEY: 13 Q. Give us your name for the record, 14 please. 15 A. John L. Ryder. 16 Q. Spell your last name. 17 A. R-Y-D-E-R. 18 Q. Mr. Ryder, by whom are you employed? 19 A. Harris Shelton Hanover Walsh. 20 Q. You're an attorney? 21 A. I am. 22 Q. Okay. Have you ever given a deposition 23 before? 24 A. Yes, I have.</p> | <p style="text-align: right;">Page 7</p> <p>1 plaintiffs in this case. 2 Q. Okay. And between October 2013 and 3 today, you've done all of those things? 4 A. I've done quite a bit of it, yes. 5 Q. Okay. And you mentioned three entities: 6 FAMC, Inc., IRN, Inc. and FAMCPM, LLC? 7 A. Correct. 8 Q. What is -- FAMCPM, what is "PM"? 9 A. I don't know. 10 Q. You don't know, okay. And were you -- 11 A. I know what the entity is. I don't know 12 what the "PM" stands for. 13 Q. All right. And it had, I assume, the 14 same ownership as the other entities? 15 A. No. No. FAMC, Inc. and IRN USA Radio 16 had different ownership structures than FAMCPM, 17 LLC. FAMCPM, LLC had one member, Dr. Larry 18 Bates, and it was organized in the State of 19 Colorado to process orders from Tennessee 20 residents for precious metals so that they -- 21 those orders would not be subject to taxation in 22 Tennessee. 23 The FAMC, Inc. was owned 50 percent by 24 Dr. Larry Bates and 50 percent by Barbara Bates.</p> |
| <p style="text-align: right;">Page 6</p> <p>1 Q. Okay. All right. That's fine. And as 2 you know, we're here for the case of Orlowski 3 versus Bates. 4 Could you describe what your role in 5 this case is, please. 6 A. I was appointed by the Court as a 7 receiver. 8 Q. And when was that, please? 9 A. October of 2013. 10 Q. 2013. And are you still in that role 11 today? 12 A. I am. 13 Q. Okay. And if you could, give us briefly 14 what your duties and responsibilities are as the 15 receiver. 16 A. Well, they're spelled out in the order 17 appointing receiver in some detail. And there's 18 a second order then that I think confirms that. 19 But fundamentally, to take charge of the 20 receivership entities, which at that time were 21 FAMC, Inc. and IRN, Inc. and FAMCPM, LLC and to 22 secure those assets and to investigate the 23 company, examine their records and determine what 24 assets might be available for distribution to the</p> | <p style="text-align: right;">Page 8</p> <p>1 IRN, which stands for Information Radio Network 2 was purportedly owned 50 percent by Dr. Larry 3 Bates and 50 percent by Dr. Barbara Bates, 4 although the Maddoux family in Dallas asserted 5 some ownership interest in the company, which 6 they -- they made a loose claim to that, which 7 they never followed up on. 8 Q. The Maddoux family? 9 A. M-A-D-D-O-U-X, I believe. 10 Q. Okay. They made a claim of ownership in 11 IRN, Inc.? 12 A. They asserted that -- their lawyer 13 notified me that his clients claimed an ownership 14 interest in IRN. And we gave them an opportunity 15 to appear in court and assert that claim, and 16 they did not do so. 17 Q. Okay. So their ownership interest is 18 not hammed out? It's not -- 19 A. IRN has been sold and -- the assets of 20 IRN have been sold and there is nothing to 21 distribute to the equity. So if they have 22 anything, they don't have anything. 23 Q. All right. And after you were appointed 24 the receiver in October of 2013, did any of the</p> |

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1 entities continue to operate in any meaningful
2 way after --
3 **A. Yes. Yes.**
4 Q. Okay. And to what extent -- I mean, I
5 know you've talked about liquidating assets of
6 IRN. IRN is not operating today, is it?
7 **A. Well, the assets were sold --**
8 Q. Okay.
9 **A. -- to Cross Platform Media, LLC in, I**
10 **believe, it was May of 2014. It may have been**
11 **June. But in any event, last year. Between**
12 **the -- my appointment and the date of sale,**
13 **Information Radio Network did operate.**
14 Q. Okay. And did FAMC continue to operate
15 in any way after October?
16 **A. In a very, very limited fashion. And**
17 **that is the only operations after the appointment**
18 **of receiver were the processing of IRA**
19 **transactions. After I was appointed receiver,**
20 **FAMC did not accept orders for metals or process**
21 **orders directly for metals. There may have been**
22 **one or two transactions that were in process that**
23 **we wrapped up. But essentially, we stopped**
24 **taking orders for the purchase or sale of metals.**

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1 Q. All right. After you took over as
2 receiver in October of 2013, did you maintain any
3 of the employees or staff of any of those three
4 entities?
5 **A. Yes.**
6 Q. Who did you maintain beginning on or
7 after October 2013?
8 **A. Well, at FAMC -- at FAMC, Sherry Barnett**
9 **remained in place who had been executive**
10 **assistant, I believe, operating in the executive**
11 **office. At IRN, initially the entire employee**
12 **group -- nobody was -- nobody was terminated**
13 **immediately. There were people terminated after**
14 **a while. But immediately in October, everybody**
15 **remained in place. There were employees who**
16 **worked both for IRN and for FAMC, and that would**
17 **be Chuck Bates, Robert Bates, Kenzie Brown Bates**
18 **and to the extent that she handled payroll, Cindy**
19 **Stanley.**
20 Q. Okay. To the extent she handled
21 payroll?
22 **A. Right.**
23 Q. Was her position reduced after the --
24 after you were appointed receiver?

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1 **A. Well, she was terminated sometime after.**
2 Q. Okay. Do you remember when that was?
3 **A. No.**
4 Q. Okay. All right. All right. So when
5 you took over these companies, you came into
6 possession of all their financial records; is
7 that right?
8 **A. I came into the financial records that**
9 **existed, yes.**
10 Q. Okay. And did you conduct an
11 examination of those records similar to what the
12 CPA and the other expert have done?
13 **A. No. I retained the CPA and the other**
14 **expert to do that.**
15 Q. All right. In the course of exercising
16 your duties as receiver -- well, let me back up.
17 Let me ask you this: Have you reviewed
18 the two reports of Mr. Butler and Mr. Rosenberg?
19 **A. Yes.**
20 Q. So you're familiar with the contents of
21 these reports somewhat?
22 **A. Somewhat.**
23 Q. Okay. And part of the information
24 conveyed in these reports have to do with -- with

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1 company monies that were distributed to the
2 insiders for their own personal benefit and use.
3 Are you aware of that?
4 **A. Yes.**
5 Q. Okay. And for example -- I only have
6 one copy of this -- in the report of Mr. Butler,
7 the CPA, he includes a schedule that purports to
8 be credit card charges for personal expenses for
9 various insiders including Larry Bates, Barbara
10 Bates, Robert Bates, Charles Bates, Kenzie Brown
11 Bates and Cindy Stanley. It's his Exhibit H.
12 Did you review that or are you familiar
13 with it?
14 **A. I've looked at it and I'm generally**
15 **familiar with --**
16 Q. Okay.
17 **A. -- that activity and --**
18 Q. All right. Do you have --
19 **A. Yeah.**
20 Q. Okay. Do you have any personal
21 knowledge of the particulars of what these
22 charges pertain to, how these charges were
23 applied?
24 **A. Only to the extent that Mr. Butler or**

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1 Mr. Rosenberg have described to me the charges or
2 have shown me the credit card statements that
3 reflect those charges.
4 Q. Okay. So any knowledge you have would
5 be by way of Mr. Rosenberg and Mr. Butler?
6 A. Their investigation revealed this
7 information, yes.
8 Q. Okay. Other than what is contained in
9 the reports of Mr. Rosenberg and/or Mr. Butler,
10 do you have any personal knowledge of money or
11 property of the companies -- any of the three
12 entities diverted to Ms. Cindy Stanley for her
13 personal use?
14 A. No.
15 Q. Okay. You mentioned Ms. Stanley was
16 terminated from her position after you were
17 appointed receiver. Did you have any other
18 interactions with Ms. Stanley after she had been
19 terminated from her position?
20 A. Yes. We discussed her continuing to
21 process the tax information for the W2s at the
22 end of the year. And I believe we paid her some
23 amount to continue to handle that aspect of her
24 job through the end of December, possibly into

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1 January, but --
2 Q. December of 2013?
3 A. Correct.
4 Q. Would that have been a 1099-type
5 situation?
6 A. That's correct, yes.
7 Q. Was she fully cooperative with you in
8 that endeavor?
9 A. Yes, she was.
10 Q. Okay. After that sort of independent
11 contractor situation at the end of 2013, did you
12 have any other interaction with Ms. Cindy Stanley
13 in your role as receiver?
14 A. No.
15 Q. I seem to remember there was a situation
16 about a company car. Did she retain possession
17 of a company car?
18 A. She did.
19 Q. Okay. Was that with your knowledge and
20 consent?
21 A. And I'm -- yes. Yeah.
22 Q. Okay.
23 A. I'm trying to remember what the details
24 of that were. I believe that there was a

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1 representation that Dr. Bates was going to take
2 care of it.
3 Q. What does that mean, "Dr. Bates was
4 going to take care of it"?
5 A. Well, there were only a couple payments
6 left on the car. And I can't remember whether
7 Ms. Stanley or Dr. Bates made the representation,
8 but one or the other of them indicated that the
9 remaining payments would be made.
10 Q. Okay. Do you know if she had possession
11 of this company car prior to the time that you
12 took over as receiver?
13 A. It is my understanding she did, yes.
14 Q. Okay. Do you have any personal
15 knowledge of how long she had possession of that
16 car?
17 A. I do not.
18 Q. Okay. Do you have any personal
19 knowledge of her role within the company prior to
20 you taking over as the receiver?
21 A. Well, from what we've examined in the
22 records, she ran the Colorado office. She was a
23 signatory on the bank accounts that we were told
24 about and the ones that we discovered later that

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1 we weren't told about, which would be Wells
2 Fargo, Guaranty Bank and Verus, V-E-R-U-S.
3 Q. You discovered she was a signatory on
4 those other three accounts?
5 A. On those three accounts, yes.
6 Q. Can you say those again, please?
7 A. Wells Fargo.
8 Q. Okay.
9 A. I think it's Guaranty Bank and they are
10 successor to some other bank in Fort Collins.
11 Q. Okay.
12 A. And Verus, V-E-R-U-S.
13 Q. Okay. And those -- were those all
14 Colorado office accounts?
15 A. Yes.
16 Q. Was anyone else a signatory on those
17 accounts?
18 A. I believe Dr. Bates and Barbara Bates
19 were signatories on those accounts.
20 Q. Okay. Other than being a signatory, do
21 you have any personal knowledge as to
22 Ms. Stanley's authority over those accounts, in
23 other words, she would need other authority to
24 make a draw on those accounts?

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1 **A. Well, she made deposits and she wrote**
 2 **checks.**
 3 Q. Okay. All right. Other than the bank
 4 accounts that you mentioned, do you have any --
 5 any other personal knowledge as to her role in
 6 the company prior to taking over as a receiver?
 7 **A. She held herself out to be vice**
 8 **president of at least the Colorado LLC.**
 9 Q. And this was the LLC referred to earlier
 10 that would be for Tennessee residents?
 11 **A. Correct.**
 12 Q. That's Tennessee residents purchasing
 13 gold from FAMC?
 14 **A. That's correct. Or selling gold to**
 15 **FAMC.**
 16 Q. Okay.
 17 **A. And when I say "gold", that would**
 18 **encompass any precious metals.**
 19 Q. I understand. And do you know if the
 20 records bore that out in the Tennessee -- that
 21 were Tennessee deposits made into that particular
 22 account and not into the other ones or is that
 23 beyond the scope of --
 24 **A. No. The records bear that out --**

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1 Q. Okay.
 2 **A. -- that the Tennessee transactions were**
 3 **through FAMCPM, LLC.**
 4 Q. Okay. I think you testified earlier
 5 that you had seen the credit card statements that
 6 were the back up.
 7 **A. Yeah. I can't say that I've seen all of**
 8 **them, but I've certainly seen a number of**
 9 **statements reflecting the charges that make up**
 10 **part of Mr. Butler's report.**
 11 Q. Okay. And sitting here today, do you
 12 have any present recollection as to the charges
 13 pertaining to Ms. Stanley --
 14 **A. I do not.**
 15 Q. -- from these --
 16 **MR. TOWNLEY:** Okay. I think that's all.
 17 I'll pass the witness.
 18 **MR. BEASLEY:** I need to take a short
 19 break, if y'all don't mind.
 20 (WHEREUPON, A RECESS WAS TAKEN FROM
 21 10:48 A.M. UNTIL 10:54 A.M., AT WHICH TIME THE
 22 DEPOSITION CONTINUED AS FOLLOWS:)
 23 **BY MR. BEASLEY:**
 24 Q. Mr. Ryder, I'm Tarry Beasley, and I

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1 represent Chuck Bates and Robert Bates.
 2 **A. Yes, sir.**
 3 Q. Let me pick up where you left off a few
 4 moments ago in your testimony. The three bank
 5 accounts in Colorado, I think Verus Bank, a Wells
 6 Fargo and another one --
 7 **A. Guaranty.**
 8 Q. Guaranty?
 9 **A. Uh-huh.**
 10 Q. Okay.
 11 **A. Yes.**
 12 Q. On those three accounts, did Mr. Charles
 13 Bates have any signing authority?
 14 **A. No.**
 15 Q. What about Mr. Robert Bates, did he have
 16 any signing authority --
 17 **A. No.**
 18 Q. -- on any of the three accounts?
 19 **A. No, sir. Neither had -- neither Charles**
 20 **Bates nor Robert Bates had signing authority on**
 21 **any bank account that I have located for any of**
 22 **the receivership entities.**
 23 Q. Okay. Stated in another way, they
 24 couldn't sign a check for anything of those

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1 corporations; is that correct?
 2 **A. I don't want to mince words with you,**
 3 **Mr. Beasley, but they could sign a check; it just**
 4 **wouldn't be any good.**
 5 Q. They had no authority to --
 6 **A. They had no authority. They had no --**
 7 **they were not signatories to any of the accounts**
 8 **that we have found.**
 9 Q. Very good. And you have done a thorough
 10 investigation for other accounts, have you not?
 11 **A. We've done as thorough an investigation**
 12 **as we could.**
 13 Q. Okay. Have you found in the course of
 14 your function any documents that you believe --
 15 lead you to believe that Mr. Charles Bates had
 16 any authority to fine this company or act for the
 17 company?
 18 **MS. MARTIN:** Can we clarify which
 19 company we're talking about?
 20 **BY MR. BEASLEY:**
 21 Q. Any of the three.
 22 **A. Yes.**
 23 Q. Okay. What did you find, which company?
 24 **A. Mr. -- we're talking about Charles**

| | |
|---|--|
| <p style="text-align: right;">Page 21</p> <p>1 Bates?</p> <p>2 Q. Charles Bates.</p> <p>3 A. Charles Bates was the senior vice</p> <p>4 president for Information Radio Network and</p> <p>5 essentially ran the radio network.</p> <p>6 Q. Okay. What did that encompass?</p> <p>7 A. Managing the -- serving as news</p> <p>8 director, supervising the sales operations. So</p> <p>9 he -- the sales operation solicited advertising</p> <p>10 and largely worked through reps rather than</p> <p>11 direct advertising, although there was some of</p> <p>12 that as well. But he supervised the sales</p> <p>13 operation, which of course, is the source of the</p> <p>14 revenue. In addition, he supervised the news</p> <p>15 function, which was the content that went out to</p> <p>16 the subscribers to the network.</p> <p>17 Q. Okay. And in that capacity, he couldn't</p> <p>18 sign checks?</p> <p>19 A. That's correct.</p> <p>20 Q. He could bind the company as far as the</p> <p>21 sale of a advertising slot to someone or</p> <p>22 something of that nature?</p> <p>23 A. I believe he had that authority, yes.</p> <p>24 Q. All right. What about the content of</p> | <p style="text-align: right;">Page 23</p> <p>1 A. There are some handwritten notes that</p> <p>2 record a -- what purports to be a board of</p> <p>3 directors meeting for IRN, which included</p> <p>4 representatives with the Maddoux family. And I</p> <p>5 think it also reflects that Charles may have been</p> <p>6 a participant in that board meeting.</p> <p>7 Q. In what capacity?</p> <p>8 A. The notes are not clear.</p> <p>9 Q. So you aren't contending that he was a</p> <p>10 director of the corporation, are you?</p> <p>11 A. I'm not sure.</p> <p>12 Q. Okay. Now in reference to FAMCPM, LLC,</p> <p>13 did you find any records anywhere that indicated</p> <p>14 that he was a director of that corporation?</p> <p>15 A. No. It's an LLC, and the sole member</p> <p>16 was Dr. Larry Bates.</p> <p>17 Q. All right. In reference to IRN, are</p> <p>18 there any records that reflect that Mr. Charles</p> <p>19 Bates was a director?</p> <p>20 A. Just the handwritten notes I just</p> <p>21 described to you.</p> <p>22 Q. Okay. But they don't say one way or the</p> <p>23 other?</p> <p>24 A. That's correct.</p> |
| <p style="text-align: right;">Page 22</p> <p>1 the programming and advertising? Did he control</p> <p>2 that?</p> <p>3 A. I believe he did.</p> <p>4 Q. Okay. In what manner would he have</p> <p>5 controlled that?</p> <p>6 A. He would have said to an anchor, no, I</p> <p>7 don't approve this story or I think you need to</p> <p>8 include a story on this. He could have -- he</p> <p>9 would have that scope of authority.</p> <p>10 Q. Okay. All right. Did you find -- of</p> <p>11 the three corporations, did you find that he had</p> <p>12 any direct control over the manner in which --</p> <p>13 let's take them individually, the three</p> <p>14 companies. What direct control did he have over</p> <p>15 IRN?</p> <p>16 A. Well, the control I've just described --</p> <p>17 Q. Do you have --</p> <p>18 A. -- over news --</p> <p>19 Q. And sales?</p> <p>20 Okay. Have any others that you could</p> <p>21 find? Any other --</p> <p>22 A. I'm not following your question.</p> <p>23 Q. Did he have any other authority that you</p> <p>24 can find other than those two areas?</p> | <p style="text-align: right;">Page 24</p> <p>1 Q. Okay. Do you know who made the notes?</p> <p>2 A. I do not.</p> <p>3 Q. In reference to FAMC, did Mr. Charles</p> <p>4 Bates -- did you find any records of him being</p> <p>5 listed anywhere as a director of the corporation?</p> <p>6 A. I did not.</p> <p>7 Q. Okay. And did Mr. Charles Bates file a</p> <p>8 claim for funds that were due him either in funds</p> <p>9 he had lent to the company or in payroll?</p> <p>10 A. I'm sorry. What is the question?</p> <p>11 Q. Did he file a claim with you for either</p> <p>12 payroll or funds that he had loaned to the</p> <p>13 company, any of the three?</p> <p>14 A. As I sit here today, I don't recall. I</p> <p>15 think he may have.</p> <p>16 Q. Did you pay that claim?</p> <p>17 A. I don't think so. We may have paid some</p> <p>18 of the payroll claims, some. But I don't -- I'm</p> <p>19 pretty confident that we have not paid any claim</p> <p>20 in which any member of the Bates family has</p> <p>21 alleged that funds are due them from the company.</p> <p>22 Q. All right.</p> <p>23 MS. SHAW: The company being FAMC?</p> <p>24 THE WITNESS: FAMC.</p> |

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1 **MS. SHAW:** I'm sorry, Tarry. I know
2 that's improper, but I wanted to make sure.
3 **THE WITNESS:** But to clarify that,
4 Charles Bates had some claims arising out of his
5 service at IRN, and some of those claims, I
6 believe, have been paid to the extent they relate
7 to salary, commissions, payroll, that type of
8 activity. As to claims for funds that -- and I
9 also -- I do have a distinct recollection of
10 reimbursing Mr. Bates for some expenses that he
11 incurred in connection with IRN where he had used
12 his personal credit card to pay for certain
13 supplies or materials or services that were
14 rendered to IRN.
15 **BY MR. BEASLEY:**
16 Q. Okay. Did you find Mr. Charles Bates
17 cooperative in working with you when you were
18 appointed by the Court?
19 **A. For the most part, yes.**
20 Q. Okay. Did you find any documents in any
21 of the three corporations related to Mr. Charles
22 Bates that showed that he managed any of these
23 companies?
24 **A. Well, I've described his role as I**

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1 **believe it to have existed and as he held himself**
2 **out at IRN.**
3 Q. Right. Is there any document that
4 says --
5 **A. I don't -- I don't recall seeing any**
6 **document that says what his scope of authority**
7 **was at IRN.**
8 Q. What about the other two corporations?
9 **A. There is no document that reflects that**
10 **he had any management authority either at FAMC or**
11 **FAMCPM, LLC.**
12 Q. Do you have any document that shows that
13 he did make -- "he" being Charles Bates -- any
14 corporate decisions?
15 **A. I think with respect to IRN, there are**
16 **probably some e-mails that would reflect that.**
17 Q. And what area are we talking about?
18 **A. The areas we've already discussed:**
19 **Content, news and sales.**
20 Q. All right. At the risk of being
21 redundant, in your search in dealing with the
22 records of the three corporations, you did not
23 find any checks written by Mr. Charles Bates, did
24 you?

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1 **A. I found no checks signed by Mr. Charles**
2 **Bates.**
3 Q. Right. Did you find any document in any
4 of the three corporations that said or relate
5 similar language that would say that he had the
6 authority to purchase gold, silver or precious
7 metals?
8 **A. I do not think I have found any document**
9 **that would give him that authority.**
10 Q. Did you find any document that would
11 give him the authority to determine who was
12 shipped what order or when that might be shipped?
13 **A. I don't know that there's any document**
14 **that would indicate that.**
15 Q. Did you find any document that would
16 give him the authority to decide when a customer
17 was to be shipped a given order?
18 **A. No. There are e-mails between**
19 **Mr. Charles Bates and customers dealing with**
20 **their complaints about not receiving the product,**
21 **but I don't know of any corporate document that**
22 **gives him the authority to determine when the**
23 **shipments are made.**
24 Q. What, if any, loans were made to

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1 Mr. Charles Bates from either of the three
2 corporations?
3 **A. I think that's reflected in the**
4 **accountant's reports. I mean, there were ledgers**
5 **that were kept that reflected transactions**
6 **between the insiders and the corporation.**
7 Q. Okay. Do you know what record that
8 might be?
9 **A. No.**
10 Q. So from your recollection today, you
11 can't say that there was such a document, it's
12 just you think there's something?
13 **A. I have seen -- I have seen a handwritten**
14 **ledger that reflects the transactions between**
15 **each of the members of the Bates family and the**
16 **corporation. I don't recall the contents of that**
17 **ledger.**
18 Q. Okay.
19 **A. And I don't know the accuracy of the**
20 **ledger.**
21 Q. Do you know whether it was used in the
22 preparation of the reports that you received from
23 the accountant?
24 **A. I know it was examined by the**

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1 accountant, yes.
 2 Q. Do you know if it was used, though?
 3 A. **It was examined, and I don't know the**
 4 **extent to which it was used.**
 5 Q. Okay. From your examination of the
 6 probably ton or more of paper that you received
 7 in these three corporations, did you determine
 8 who owned those corporations?
 9 A. **Well, yes. As I've previously stated,**
 10 **FAMC was owned by Dr. Larry Bates and Barbara**
 11 **Bates 50/50. FAMCPM, LLC was a single member LLC**
 12 **of which Dr. Larry Bates was the sole member.**
 13 **And the ownership structure of IRN USA Radio**
 14 **Network is a little fuzzier. It appears to be**
 15 **that it was owned also by Dr. Larry Bates and**
 16 **Barbara Bates.**
 17 Q. Okay. So in none of that did
 18 Mr. Charles Bates' name appear as owner?
 19 A. **That is correct.**
 20 Q. Mr. Charles Bates made a claim for a
 21 healthcare savings account that had not been
 22 funded by the corporation. Do you recall that?
 23 A. **Not specifically, no.**
 24 Q. Okay.

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1 A. **I recall that the health care savings**
 2 **accounts of the employees were not funded --**
 3 Q. Okay.
 4 A. **-- for all employees after January of**
 5 **2013, notwithstanding the fact that the company**
 6 **had made the deductions from the payroll.**
 7 Q. Were any of those paid to any of the
 8 employees?
 9 A. **Yes.**
 10 Q. Why would Mr. Charles Bates have not
 11 been paid?
 12 A. **Well, I'm not -- I can't tell you right**
 13 **now. I don't have -- I don't recall why we made**
 14 **that decision or whether we did.**
 15 Q. Okay. Mr. Ryder, I would like to go
 16 back through that same series of questions on
 17 Robert.
 18 A. **Somehow I suspected you might be getting**
 19 **ready to do that.**
 20 Q. What documents, if any, did you find
 21 that would indicate that Mr. Robert Bates was a
 22 owner or director of any of these three
 23 corporations?
 24 A. **I found no records that indicate that**

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1 **Mr. Robert Bates was an owner or director of any**
 2 **of the three receivership entities.**
 3 Q. Did you find any documents that would
 4 indicate control of any of these companies?
 5 A. **I don't believe I have found any**
 6 **documents which indicate control. Mr. Robert**
 7 **Bates functioned as a sales director of IRN USA**
 8 **Radio Network. And Mr. Robert Bates -- based on**
 9 **my investigation, Mr. Robert Bates from time to**
 10 **time directed that checks be paid from FAMC or**
 11 **received the checks and filled them out.**
 12 Q. Checks for what?
 13 A. **Checks for payments to himself.**
 14 Q. Did he have authority to sign those
 15 checks?
 16 A. **No.**
 17 Q. Okay. Someone else signed them?
 18 A. **That's correct.**
 19 Q. Okay. And why do you believe those
 20 checks -- that he filled out some checks?
 21 A. **That's what was reported to me by other**
 22 **employees of FAMC.**
 23 Q. Okay. Do you have -- can you identify
 24 which checks you claim he wrote to himself?

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1 A. **I could not do so here today, no.**
 2 Q. You don't think you could at all?
 3 A. **Well, no. I think -- I think if you**
 4 **examined the checks, you might be able to**
 5 **determine that.**
 6 Q. But at this point and today, you cannot?
 7 A. **Today, no, I could not.**
 8 Q. Did you find any documents that would
 9 indicate and state on them that Mr. Robert Bates
 10 managed any of these corporations?
 11 A. **Except to the extent that he managed**
 12 **sales at IRN, no.**
 13 Q. Did you find any documents that
 14 indicated he had the authority to make corporate
 15 decisions?
 16 A. **No.**
 17 Q. I believe we've already established that
 18 he could not sign checks on any of the three
 19 corporations.
 20 A. **That is correct.**
 21 Q. Did you find any documents that said he
 22 had the authority to purchase gold, silver or
 23 other precious metals?
 24 A. **I did not find any corporate document**

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1 that gave anybody the authority to buy gold or
2 silver.
3 Q. Did you find that most of the purchases
4 had been executed by Mr. Larry -- Dr. Larry
5 Bates?
6 A. That's correct.
7 Q. As a matter of fact, were there any by
8 anyone else?
9 A. Well, the way the records were kept,
10 it's hard to determine who actually placed the
11 order. But, you know, the investigation has
12 indicated that all of the orders were placed by
13 Dr. Larry Bates.
14 Q. Okay.
15 A. That doesn't mean that there couldn't
16 have been some order that was placed by somebody
17 else, but we haven't found that any of the metal
18 vendors reported to us that somebody other than
19 Dr. Larry Bates placed an order with them.
20 Q. Okay. Did you find any documents that
21 would show that Mr. Robert Bates had the
22 authority to determine who was shipped a given
23 order or when?
24 A. Similar to the situation with Charles

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1 Bates, there may be e-mails which reflect his
2 response to inquiries regarding delay. But
3 again, there's no corporate document that says he
4 had such authority.
5 Q. And likewise, you did not find any
6 document that gave him the authority to decide
7 when a customer was to be shipped?
8 A. I didn't find any documentation that
9 gave anybody the authority to make that decision,
10 but people did make those decisions.
11 Q. But your investigation doesn't say who;
12 is that correct -- well, other than Dr. Larry
13 Bates?
14 A. Other than Dr. Bates, no.
15 Q. Again, this is kind of redundant for
16 what we had asked about Charles. But in Robert
17 Bates' case, did he likewise file a claim for
18 salary or health savings account and loans to the
19 corporation?
20 A. I don't recall a claim for loans from
21 the corporation.
22 Q. All right.
23 A. I do recall that he sought his
24 commissions and the override he was receiving on

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1 sales during his period at IRN. And I believe
2 that was paid.
3 Q. What loans, if any, were made to Robert
4 Bates?
5 A. I don't recall. The answer would be the
6 same. It's reflected in a handwritten ledger
7 that was generated internally, which has been
8 reviewed by the accountant.
9 Q. Okay. And in your examination of
10 paperwork that you received on the three
11 corporations, did you determine who owned those
12 corporations? And were any of the owners of
13 those three corporations Robert Bates?
14 A. I think we've already described the
15 ownership, and Robert Bates was not an owner of
16 any of the three corporations.
17 Q. Okay. Out of an abundance of caution,
18 did you find any document that stated that
19 Mr. Robert Bates or Mr. Charles Bates were
20 officers of the corporation?
21 A. They were both shown as vice presidents
22 of IRN.
23 Q. Is that authority delineated anywhere in
24 any document?

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1 A. I don't recall seeing any document that
2 delineated their authorities as vice president.
3 Q. I am looking for something I obviously
4 cannot find.
5 (WHEREUPON, THERE WAS A DISCUSSION HELD
6 OFF THE RECORD.)
7 BY MR. BEASLEY:
8 Q. Mr. Ryder, in the report of findings and
9 related exhibits by Mr. Rhett Butler, there is a
10 Schedule G that is a list of unearned
11 commissions. Did you define for Mr. Butler what
12 an unearned commission was?
13 A. No.
14 Q. Okay. Do you know then how he compiled
15 this as to what was earned and what was unearned?
16 A. Not in detail, no.
17 Q. Okay.
18 A. I know conceptually what he is
19 describing there.
20 Q. Tell me conceptually what the deal is.
21 A. Well, as the reports indicate, there's
22 approximately 16 million dollars in outstanding
23 amounts due to customers for metals that were not
24 delivered. Nonetheless, Mr. Charles Bates and

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1 **Mr. Robert Bates received commissions on metals,**
2 **on orders that were never fulfilled.**
3 Q. Okay. So it's your understanding then,
4 when a salesman sells an item and the funds are
5 paid in for that, his commission is not earned at
6 that point?
7 **A. Yes. I mean, they have -- you have a**
8 **significant gap between the orders that were**
9 **placed and the orders that were filled.**
10 Q. I understand that.
11 **A. And this company has failed to fill**
12 **orders to the extent of 16 million dollars.**
13 Q. I understand that. The question,
14 though, dealt with when is a commission earned.
15 And so your definition of it would mean after
16 delivery of the product?
17 **A. After the order is filled.**
18 Q. Okay. Likewise, on that same report in
19 Exhibit 8, there's a schedule of personal
20 expenses included in the operating expenses of
21 the company. Can you tell me what those are
22 today?
23 **A. No, I couldn't tell you what those are**
24 **today.**

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1 Q. Okay. Those were compiled by the
2 accountant --
3 **A. That's correct.**
4 Q. -- and so forth?
5 That would be true of both Charles and
6 Robert; is that correct?
7 **A. That's correct.**
8 **MR. BEASLEY:** I pass the witness.
9 **EXAMINATION**
10 **BY MR. BATES:**
11 Q. Mr. Ryder, for the record, I'm Larry
12 Bates, pro se.
13 On this unearned commission that you
14 just testified to, did you go to other economists
15 or consultants and reclaim that commission from
16 them?
17 **A. No. We haven't reclaimed it from**
18 **anyone.**
19 Q. What about when they've been paid? I
20 mean --
21 **A. No. We haven't reclaimed unearned**
22 **commissions from any of the economists yet.**
23 Q. Mr. Ryder, on November 3rd, 2013, did
24 you make a trip to Bates farm and residence?

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1 **A. Yes, I did.**
2 Q. And what was the purpose of that?
3 **A. To meet with you and to examine the**
4 **property out there for corporate records.**
5 Q. Did the Bates cooperate?
6 **A. Did you cooperate?**
7 Q. Yes, sir.
8 **A. Yes.**
9 Q. Was there any way that I was not
10 cooperative?
11 **A. Not on that day, no, sir.**
12 Q. Did I give you precious metals to carry
13 back with you?
14 **A. Yes, you did.**
15 Q. And what was the records of that? What
16 do you show that I gave you?
17 **A. I don't recall.**
18 Q. But was it gold? Was it silver? Was it
19 both or --
20 **A. It was a mixture of different kinds of**
21 **coins or precious metals in different forms.**
22 Q. But you didn't keep a record?
23 **A. No. I think there is a record. I just**
24 **don't recall what it is.**

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1 Q. Don't recall what it is.
2 Let me introduce this right here as an
3 exhibit.
4 (WHEREUPON, THE ABOVE-MENTIONED DOCUMENT
5 WAS MARKED AS EXHIBIT NO. 1 FOR IDENTIFICATION TO
6 THE TESTIMONY OF THE WITNESS AND IS HERETO
7 ATTACHED.)
8 **THE WITNESS:** No. I may have seen it,
9 but I don't recall it specifically, no.
10 **BY MR. BATES:**
11 Q. It would be a yellow copy slip --
12 **A. Right.**
13 Q. -- in with 50 Silver Eagles.
14 **A. I don't -- I do not specifically recall**
15 **this specific document.**
16 Q. Okay. Do you recall nine 20-dollar
17 Liberties, which I mentioned was for Carl and
18 Shirley Little?
19 **A. No.**
20 Q. You do not?
21 Where would the records be from what you
22 received from me on that date?
23 **A. They would be in our offices.**
24 Q. In your offices. Identified as what you

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1 picked up that day --
2 **A. Yes, sir.**
3 Q. -- specifically?
4 **A. I believe that -- I believe we did check**
5 **those out in some way, shape or form.**
6 Q. So --
7 **A. I don't recall what the record looks**
8 **like at this point.**
9 Q. What is the capacity with the US
10 receiver of Laura Martin?
11 **A. She's my attorney.**
12 Q. She's your attorney?
13 **A. One of my attorneys.**
14 Q. Your attorney. Does she act on her own
15 or does she act at your direction?
16 **A. She's one of my attorneys.**
17 Q. At a hearing before Judge McCalla to add
18 Kenzie Brown Bates as a defendant, Ms. Martin
19 testified as a witness for Plaintiff's attorney
20 stating that you did not receive precious metals
21 from me on that day.
22 **MS. SHAW:** Object to the form of the
23 question.
24 **THE WITNESS:** Okay. And what is your

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1 question?
2 **BY MR. BATES:**
3 Q. My question is: Why would she testify
4 to that?
5 **A. I don't recall that testimony.**
6 **MS. MARTIN:** It calls for speculation.
7 Mr. Ryder -- I don't think Mr. Ryder was there
8 that day.
9 **BY MR. BATES:**
10 Q. So why would she testify that --
11 **A. I don't know.**
12 Q. Would she have access to your records?
13 **MS. SHAW:** Object --
14 **THE WITNESS:** That's probably privileged
15 and so I'm going to decline to answer that.
16 **MS. SHAW:** Let me go ahead and pose a
17 standing objection to this line of questioning so
18 I don't have to interrupt.
19 **MR. BATES:** You're objecting to my
20 question?
21 **MS. SHAW:** I put an objection on the
22 record so I didn't object after each one, so you
23 can ask your questions relating to Ms. Martin
24 without needing to object to each one.

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1 **BY MR. BATES:**
2 Q. Did you investigate the missing precious
3 metals from HSBC Bank in New York?
4 **A. Yes, we did.**
5 Q. And did you recover them?
6 **A. We determined that there were no metals**
7 **to be recovered there.**
8 Q. And what led you to that conclusion?
9 **A. I don't recall the evidence that led me**
10 **to that conclusion, but I recall reaching that**
11 **conclusion.**
12 Q. Who did the investigation of that?
13 **A. Well, there are a number of people.**
14 **That would be people on the -- various attorneys**
15 **at Harris Shelton, and I'm not sure who else.**
16 Q. Do you recall my giving you a file on
17 HSBC and delineating what was missing?
18 **A. Yes, I do.**
19 Q. And you didn't follow up on that?
20 **A. We did follow up on that.**
21 Q. Are you familiar with hedging of
22 precious metals?
23 **A. In a general sense, yes.**
24 Q. How would you define hedging of precious

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1 metals?
2 **MS. SHAW:** Object to the form of the
3 question.
4 **THE WITNESS:** You would acquire a
5 position in the market that would protect you
6 against fluctuations in the market.
7 **BY MR. BATES:**
8 Q. In your opinion, who would be
9 responsible for the losses in that market?
10 **A. FAMC.**
11 Q. Are you familiar with the transaction
12 form of FAMC?
13 **A. I have seen many of those transaction**
14 **forms.**
15 Q. Have you ever seen on a transaction
16 form, on the left-hand column a note, hedging
17 loss?
18 **A. Yes.**
19 Q. How would you define the hedging loss?
20 What does that mean?
21 **A. I think it was a way to get extra money**
22 **out of the transaction.**
23 Q. A way to get extra money out of
24 transaction is what you're saying?

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1 **A. Yeah, that's what I'm saying.**
2 **MS. SHAW:** Can we mark that as [Exhibit 2](#)
3 so everybody knows what you're referring to?
4 **MR. BATES:** Sure.
5 **MR. BEASLEY:** Do you want to say you
6 recognize it first?
7 **THE WITNESS:** Yes. I recognize this as
8 the form of -- the transaction form used by FAMC.
9 (WHEREUPON, THE ABOVE-MENTIONED DOCUMENT
10 WAS MARKED AS [EXHIBIT NO. 2](#) TO THE TESTIMONY OF
11 THE WITNESS AND IS HERETO ATTACHED.)
12 **BY MR. BATES:**
13 Q. And how would it be possible in your
14 opinion to get extra money out of a transaction?
15 **A. Well, it would be a method of charging**
16 **the customers additional money to cover that**
17 **so-called loss.**
18 Q. Charging? Are you saying charging the
19 customers additional money?
20 **A. Correct.**
21 Q. Are you familiar that the left-hand
22 column of the transaction form has nothing to do
23 with the customer?
24 **A. You'd have to show me the form with such**

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1 **an entry on it before I could tell you whether I**
2 **thought it was a credit or debit.**
3 Q. On the right-hand side of the form is
4 the amount charged to the customer. Would you
5 agree?
6 **A. I can look at the exhibit and let's see.**
7 **Not sure that's entirely the case. I'd have to**
8 **see a filled-out form.**
9 Q. So you really don't know?
10 **A. Not looking at [Exhibit 2](#), no.**
11 Q. Are you familiar with RJ O'Brien
12 Company?
13 **A. I have learned something about RJ**
14 **O'Brien Company, yes.**
15 Q. What is your understanding of the
16 relationship?
17 **A. Commodities trading company.**
18 Q. And the account at RJ O'Brien, whose
19 name was it in?
20 **A. Larry Bates d/b/a FAMC, Inc.**
21 Q. So it was an individual account, not a
22 corporate account?
23 **A. It appears to be that way, yes.**
24 Q. Okay. Any losses or gains on that

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1 account, who was responsible for the taxes on
2 that?
3 **A. Well, I would assume the individual in**
4 **whose account the account existed -- in whose**
5 **name the account existed.**
6 Q. You as receiver, were you aware that I
7 allowed the company to use that account, my
8 personal account?
9 **A. There is a transaction wherein**
10 **approximately \$2.6 million was transferred from**
11 **FAMC to RJ O'Brien, yes.**
12 Q. In your response to -- the response of
13 the Bates regarding the lien and its pendency,
14 you noted that \$2,590,000 were transferred to RJ
15 O'Brien from FAMC.
16 **A. Correct.**
17 Q. And you also note in that response that
18 4,351,500 was wired to LB individual.
19 **A. To who?**
20 Q. To myself from RJ O'Brien.
21 **A. Ultimately, yes.**
22 Q. Why do you lay claim to my assets in
23 your filings?
24 **A. The RJ O'Brien transaction took place in**

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1 **this general fashion: Approximately 2.6 million**
2 **dollars was transferred from First American**
3 **Monetary Corporation at a time when it was**
4 **insolvent to your account at RJ O'Brien. As a**
5 **result of that transaction, an additional almost**
6 **five million dollars in profits were made on the**
7 **transactions. That money, those profits, those**
8 **gains were properly the property of FAMC whose**
9 **money had been used to generate those profits.**
10 Q. So how do you come to that conclusion?
11 **A. Dr. Bates, you took money out of a**
12 **company that was insolvent of which you were**
13 **president, you put it into a brokerage account**
14 **and generated an enormous return and then,**
15 **pocketed the return for your own benefit.**
16 Q. So why did FAMC send the money to RJ
17 O'Brien?
18 **A. Because you directed it to do so.**
19 Q. And why was it directed to go to RJ
20 O'Brien?
21 **A. I don't know why you would do that.**
22 Q. So again, would it be a fair conclusion
23 that you don't understand hedging?
24 **A. No. It would be a fair assessment to**

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1 say that I understand that you took \$2.6 million
2 out of an insolvent company in which you were in
3 control, used it to generate five million dollars
4 in profits and then did not use those profits to
5 offset the unfilled orders and the losses in the
6 company which was insolvent, but rather used them
7 to acquire personal assets.
8 Q. Back to [Exhibit Number 2](#), the
9 transaction form. The right-hand side is what
10 the client is charged. Would you agree?
11 A. Not today, no. I've told you not based
12 on [Exhibit 2](#).
13 Q. Okay. So you really don't know?
14 A. No. I want to see a filled-out
15 transaction form before I answer that question.
16 Q. Has your auditor audited all of those
17 transaction forms?
18 A. They've been through a ton of them.
19 Q. A ton, all or a part or a test or what?
20 A. You'll have to ask them that question as
21 to the extent of their testing.
22 Q. On the visit on November 3rd, 2013, did
23 you receive a checkbook to FAMCPM, LLC?
24 A. I don't recall.

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1 Q. And what state is your understanding
2 that FAMCPM, LLC was organized in?
3 A. Colorado.
4 Q. Are you sure?
5 A. No.
6 Q. For the record, it's Nevada.
7 You testified under question from
8 Mr. Beasley that IRN was owned 50 percent, Larry
9 Bates and 50 percent by Barbara Bates and you did
10 not know the Maddoux situation. Is that your
11 testimony?
12 A. I think my testimony was that I was
13 given to understand that the company was owned 50
14 percent by Larry Bates, 50 percent by Barbara
15 Bates, that at some point during the
16 receivership, an attorney for the Maddoux family
17 raised the issue of whether or not the Maddoux
18 family had a claim to ownership. That claim was
19 abandoned in the course of the litigation.
20 Q. Do you recall my sitting down with you
21 and explaining to you the IRN ownership
22 situation?
23 A. I recall that you did so. I don't
24 recall what we discussed at that time.

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1 Q. If you recall -- do you recall my
2 telling you that IRN was owned one-third by Larry
3 Bates, one-third by Barbara Bates and a third by
4 the Maddoux family?
5 A. No, I specifically recall -- no. My
6 specific recollection is that you did not mention
7 the third interest of the Maddoux family.
8 Until -- until their lawyer raised that claim, I
9 was unaware that they had an asserted claim.
10 Q. You don't recall my telling you that the
11 Maddoux stock was encumbered due to loans --
12 A. Yes.
13 Q. -- to them?
14 A. Yes.
15 Q. You recall that?
16 A. Yes.
17 Q. So you now recall that they -- I
18 explained that to you?
19 A. You explained that whatever stock they
20 had was encumbered by loans. You did not explain
21 what stock they had and you did not explain what
22 loans they owed.
23 Q. You say FAMC is still processing IRN
24 transactions?

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1 A. Yes.
2 Q. Is it profitable?
3 A. On a very -- yes.
4 Q. You kept one employee, Sherry Barnett.
5 You say she was an executive assistant. Wasn't
6 her title office manager?
7 A. It may have been, yes.
8 Q. Referred to today were two reports of
9 Butler and Rosenberg. Why was I not sent copies
10 of those reports?
11 MS. MARTIN: I'm going to interject
12 here. You were sent copies of those reports,
13 Dr. Bates. I received notification from your
14 e-mail system over the weekend that the message
15 was rejected because it was full. We can supply
16 those for you here today.
17 MR. BATES: I would appreciate that.
18 Thank you.
19 BY MR. BATES:
20 Q. You refer in the reports of Butler and
21 Rosenberg money distributed to insiders, American
22 Express card for their use, credit card charges.
23 Explain that for the record.
24 A. There were credit card charges that

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1 appeared to be for personal use rather than for
2 company benefit.
3 Q. Do you have an example?
4 A. Let's see. I think there was a trip to
5 New York by Robert Bates. There was a trip to
6 the Virgin Islands by Robert Bates. There were
7 some lunches at Holiday Ham.
8 Q. Are you familiar with employees being
9 taken to lunch?
10 A. Yes.
11 Q. And how did you come to that conclusion
12 that they were for personal use?
13 A. Didn't appear that it was a company
14 lunch.
15 Q. And what led you to that conclusion?
16 A. Time, date and place of the lunch.
17 Q. Do you know that Holiday Ham is just
18 right down the road from the offices?
19 A. No. Didn't know that.
20 Q. Now that you know it, would you come to
21 a different conclusion?
22 A. Maybe; maybe not.
23 Q. I noticed in your report of expenses
24 that you were -- investigation of American

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1 Express petty theft. Explain that.
2 A. I don't recall that.
3 Q. It was in your billing.
4 A. Right. I don't recall that.
5 Q. How much have you billed totally to the
6 receivership?
7 A. It's quite a bit. I don't remember the
8 exact number.
9 Q. You don't know the total? Quite a bit
10 meaning a million? Less than a million?
11 A. Something in the neighborhood of
12 500,000.
13 Q. 500,000. Why would American Express be
14 calling Larry Bates and Barbara Bates, trying to
15 collect individually on those accounts?
16 A. I don't know. I mean, they haven't been
17 paid or some portions of them haven't been paid.
18 Q. So would it not indicate to you as a
19 learned attorney that perhaps the account was a
20 personal account with the company's name on it
21 that allowed them to use that account guaranteed
22 by --
23 A. No. Actually -- actually not. Because
24 I've dealt with this situation before on behalf

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1 of other clients. And American Express takes the
2 position that even if the account is in a company
3 name, when you sign it individually, you accept
4 individual responsibility for that charge.
5 Q. So it really leaves the purview of the
6 receiver and becomes the responsibility of the
7 individual; is that correct?
8 A. No, I don't think so.
9 Q. And why would that not be?
10 A. Well, I think the claim is still -- the
11 claim by American Express is still against the
12 corporate account. But that doesn't mean that
13 there are not others who may be liable on that
14 account.
15 Q. So how could it be petty theft if a
16 person is guaranteed on the account?
17 A. I'm not sure what that references to.
18 Q. Was your billing not mentioned that
19 investigating petty theft from American Express?
20 Did you not see the billings that go out?
21 A. I suspect that it does say that, yes. I
22 just don't recall what specifically -- what
23 specific transaction or transactions that phrase
24 refers to.

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1 Q. You testified that you weren't told
2 about the signatory of Cindy Stanley on Verus
3 Bank and Guaranty Bank and Trust.
4 A. No. I was not told that Verus Bank had
5 an account for the receivership entities.
6 Q. The Verus Bank checkbook that you were
7 given on November 3rd, does that not
8 indicate that --
9 A. I don't recall receiving a Verus Bank
10 checkbook on November 3rd.
11 Q. Do you remember the container that you
12 left with?
13 A. I remember leaving with a container.
14 Q. Do you remember what that container
15 looked like?
16 A. No.
17 Q. But you don't remember seeing a
18 checkbook?
19 A. No, I don't.
20 Q. Are you sure that Cindy Stanley was on
21 the account at Verus Bank?
22 A. No.
23 Q. So you really don't know?
24 A. I know she was on Wells Fargo and I know

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1 she was on Guaranty. I don't recall whether or
2 not she was on Verus.
3 Q. And you said that we weren't -- weren't
4 told about accounts at Verus or Guaranty Bank and
5 Trust; is that --
6 A. No, that's not what I said. I don't
7 think we were told about Verus. We were told
8 about Guaranty and Wells Fargo.
9 Q. So getting the checkbook of Verus would
10 not be telling you about the account?
11 A. I don't recall receiving the checkbook
12 from Verus.
13 Q. Who would have that checkbook now?
14 A. I don't know.
15 Q. As a receiver, are you aware that
16 Guaranty Bank and Trust Company was where the
17 payroll checks were issued?
18 A. I believe that to be correct, yes.
19 Q. And that Cindy Stanley was on that
20 account for the purpose of signing payroll
21 checks?
22 A. I don't know why she was on the account,
23 but I know that she signed the payroll checks and
24 she handled the payroll out of the Colorado

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1 office.
2 Q. You testified that Chuck was senior vice
3 president of IRN.
4 A. That's what was represented to me.
5 Q. Did you not see his card that said
6 executive vice president, news director of IRN?
7 A. I probably did see that card. I may
8 have -- and I may have -- I may have converted in
9 my own mind executive vice president to senior
10 vice president. He may have only been an
11 executive vice president.
12 Q. Are you aware that Robert Bates was
13 senior vice president of IRN?
14 A. I knew that both of them were vice
15 presidents of IRN. And the specific modifiers to
16 the term vice president, I'm not certain of.
17 Q. And you testified that Chuck was in
18 charge of advertising and sales function?
19 A. Chuck had supervision generally over IRN
20 is -- was what I observed.
21 Q. Who did you pay commissions to on
22 advertising sales as receiver?
23 A. Robert Bates.
24 Q. Are you aware now that Robert was senior

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1 vice president and he ran the advertising sales?
2 A. Robert was a vice president and he was
3 in charge of sales and he received commissions
4 for sales.
5 Q. So you're really not sure?
6 A. No. I'm very certain about that, that
7 Robert was a vice president and he was in charge
8 of sales and he received commissions for sales.
9 Q. You testified that you do not recall if
10 Chuck Bates' claims were paid.
11 A. Some of his claims were not paid; some
12 of his claims were paid.
13 Q. You testified that he was, quote,
14 cooperative for the most part, closed quote.
15 A. That's correct.
16 Q. What part was he not cooperative in?
17 A. I'd have to go back and think some more
18 about that.
19 Q. What about Chuck's -- Chuck Bates' claim
20 for precious metals owed to him?
21 A. For --
22 Q. Precious metals owed.
23 A. I'm not sure I recall that claim. I
24 don't know -- it doesn't mean he didn't make one.

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1 I just don't recall it right now.
2 Q. On the ledgers kept that you say
3 reflects transfer from each member of Bates
4 Family Incorporation, explain that.
5 A. There were handwritten ledgers that
6 reflected the transactions to and from the
7 insiders.
8 Q. Did you ever see any ledgers on people
9 who were not, in your definition, insiders?
10 A. No.
11 Q. What about on people like Ken Williams?
12 A. No, I don't -- I don't recall ever
13 seeing one on Ken Williams.
14 Q. You don't recall seeing a ledger on Ken
15 Williams?
16 A. Yes. That's what I said.
17 Q. Are you aware that Ken Williams owed
18 FAMC in excess of \$20,000?
19 A. I think I am aware that some of the
20 economists and employees had amounts -- and
21 employees at IRN as well had amounts due to
22 receivership entities. As I sit here today, I
23 couldn't tell you how much was asserted in claims
24 against any of them.

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1 Q. Have you collected that money for the
2 receivership entity?
3 **A. Not yet.**
4 Q. Do you intend to?
5 **A. We will collect everything that is due**
6 **the receivership entities to the extent we're**
7 **able to do so.**
8 Q. Are you aware that people like Ken
9 Williams, Tracy Hightower, any other staff person
10 that had a ledger, that their ledgers looks like
11 exactly like Bates family members'?
12 **A. No, I couldn't say that.**
13 Q. So you really don't know?
14 **A. Really don't know what?**
15 Q. That they weren't all alike, the same
16 form.
17 **A. As I sit here today, no, I couldn't say**
18 **that I know that.**
19 Q. Did Barbara Bates have a ledger?
20 **A. I believe she did.**
21 Q. Are you certain that she didn't have a
22 ledger?
23 **A. No, I'm not.**
24 Q. Why would she have a ledger?

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1 **A. Because there might have been payments**
2 **going in and out that she might have advanced**
3 **money for the company.**
4 Q. So this would be pure speculation on
5 your part; is that correct?
6 **MS. MARTIN:** Object to the form.
7 **THE WITNESS:** Today, I would have to
8 speculate. I don't recall specifically.
9 **BY MR. BATES:**
10 Q. You testified, I can't tell you if Chuck
11 Bates' HSA was paid, but other employees' were
12 paid, closed quote.
13 **A. Yes.**
14 Q. Why were other employees being paid and
15 Chuck Bates not being paid?
16 **A. You know, thinking about it further, I**
17 **believe all the HSA accounts were settled up when**
18 **IRN was sold, I believe.**
19 Q. Are you aware that HSA accounts in the
20 Bates family are frozen?
21 **A. No.**
22 Q. Are you aware that a recent Employee
23 Retirement Income Security Act prohibits that?
24 **A. No, can't say that I am.**

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1 Q. You said that Robert Bates directed
2 checks from FAMC to be made to himself?
3 **A. That's what I was given to understand,**
4 **yes.**
5 Q. And who told you that?
6 **A. And I can't remember which specific**
7 **former employees told me that, but I heard that**
8 **from multiple sources.**
9 Q. Do you believe that?
10 **A. Yes, sir.**
11 Q. And why do you believe that?
12 **A. It seems to be -- it would seem**
13 **accurate.**
14 Q. And why would it seem accurate?
15 **A. Consistent with the way the business was**
16 **being run at that point in time.**
17 Q. Are you aware that the, quote,
18 handwritten ledgers were not kept by the
19 employees, not compiled by the employees?
20 **A. My understanding is they were maintained**
21 **by Barbara Bates.**
22 Q. And how did you arrive at that
23 understanding?
24 **A. I believe I was told that by employees,**

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1 **and I believe the handwriting matches up with**
2 **hers.**
3 Q. Would it surprise you to know that those
4 were kept by Cindy Stanley?
5 **A. It would.**
6 Q. And that it was a function of payroll?
7 **A. I can see how some of that would be a**
8 **function of payroll.**
9 Q. So you as receiver, there are a lot of
10 things you really don't know. Would that be a
11 fair statement?
12 **A. There are many things I don't know.**
13 Q. Okay. But you billed a half a million
14 dollars.
15 **A. Yes.**
16 Q. So has the entity gotten their money's
17 worth?
18 **A. I believe so.**
19 Q. Are you holding a piece of personal
20 property that belongs to Larry Bates in the form
21 of a firearm?
22 **A. No, I don't believe I am.**
23 Q. Was a firearm not given to you by Steven
24 Graves?

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1 **A. Yes.**
2 Q. And where is that firearm today?
3 **A. In my office.**
4 Q. You just testified you're not holding
5 it.
6 **A. No. I testified I was not holding a**
7 **firearm that is a personal property of Larry**
8 **Bates.**
9 Q. And how did you come to that conclusion?
10 **A. It is owned by FAMC.**
11 Q. And how did you come to that conclusion?
12 **A. From Mr. Graves and from the records of**
13 **the company, which indicate the firearm was**
14 **purchased by FAMC.**
15 Q. And what records show it was purchased
16 by FAMC?
17 **A. I would have to go back and check. I**
18 **don't know.**
19 **MR. BATES:** This will be [Exhibit 3](#).
20 (WHEREUPON, THE ABOVE-MENTIONED DOCUMENT
21 WAS MARKED AS [EXHIBIT NO. 3](#) FOR IDENTIFICATION TO
22 THE TESTIMONY OF THE WITNESS AND IS HERETO
23 ATTACHED.)
24 **MR. BATES:** Did Ms. Shaw look at it?

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1 **MS. SHAW:** I'll look at it in a minute.
2 It's fine. Thanks.
3 **BY MR. BATES:**
4 Q. Looking at [Exhibit 3](#), what does that
5 say, Mr. Ryder?
6 **A. It is a handwritten note that says FN 57**
7 **owned by Larry Bates, assigned to Steven Graves,**
8 **received by, and there's a signature.**
9 Q. And --
10 **MR. TOWNLEY:** Hang on. Do you recognize
11 that?
12 **THE WITNESS:** No.
13 **MR. TOWNLEY:** I'm going to object to
14 that being marked as an exhibit. We can mark it
15 for ID if he doesn't recognize it.
16 **BY MR. BATES:**
17 Q. Does FAMC own a federal firearms
18 license?
19 **A. Not to my knowledge.**
20 Q. As a learned attorney, are you aware
21 that it is illegal for a corporation to own a
22 firearm without a federal firearm license?
23 **A. No, I can't say that I know that.**
24 **MR. BATES:** Mark this as [Exhibit 4](#).

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1 (WHEREUPON, THE ABOVE-MENTIONED DOCUMENT
2 WAS MARKED AS [EXHIBIT NO. 4](#) TO THE TESTIMONY OF
3 THE WITNESS AND IS HERETO ATTACHED.)
4 **BY MR. BATES:**
5 Q. Let the record show that this is a
6 print off from the ATF, Alcohol Tobacco and
7 Firearms web site. And it refers to 27 CFR
8 478.11 and 478.124(c) of the Federal Firearms
9 Regulations.
10 Mr. Ryder, looking at that exhibit,
11 doesn't it say a purchaser may be identified by
12 any combination of government issued documents
13 which together establish all of the required
14 information, name, residence, address, date of
15 birth and photograph of the holder?
16 What picture would a corporation use?
17 **A. Well, it wouldn't have one.**
18 **MR. BATES:** Let's mark this as the next
19 exhibit.
20 (WHEREUPON, THE ABOVE-MENTIONED DOCUMENT
21 WAS MARKED AS [EXHIBIT NO. 5](#) TO THE TESTIMONY OF
22 THE WITNESS AND IS HERETO ATTACHED.)
23 **BY MR. BATES:**
24 Q. [Exhibit 5](#). Why did ATF amend Form 4473,

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1 firearms transaction record to include
2 information on race and ethnicity?
3 Mr. Ryder, are you familiar with ATF
4 Form 4473?
5 **A. No, I'm not.**
6 Q. For the record, it's a form that you
7 have to fill out to purchase a firearm.
8 A corporation has to have a federal
9 firearms license. You still -- with this
10 evidence still maintain that it was purchased by
11 FAMC?
12 **A. I think it was purchased with FAMC**
13 **funds.**
14 Q. And what evidence do you have of that,
15 sir?
16 **A. That would be in the bank records.**
17 Q. Okay. Do you know where it was
18 purchased?
19 **A. I don't recall.**
20 Q. Would it surprise you that it was
21 purchased by personal funds of Larry Bates?
22 **A. That would surprise me very much.**
23 Q. Mr. Ryder, how would you respond to a
24 theft claim being filed by Larry Bates on theft

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1 of firearm?
2 **A. Well, I don't know.**
3 Q. Are you willing to give me my property
4 back?
5 **A. I'll certainly consider your request.**
6 Q. But you're going to hold it in the
7 meantime?
8 **A. We'll reach that conclusion, but not in**
9 **a deposition.**
10 **MR. BATES:** No further questions.
11 **MS. SHAW:** Y'all want to break for lunch
12 or keep going?
13 (WHEREUPON, THERE WAS A DISCUSSION HELD
14 OFF THE RECORD.)
15 **EXAMINATION**
16 **BY MS. SHAW:**
17 Q. Mr. Ryder, I'm Amber Shaw. I represent
18 the plaintiff in this matter.
19 When you were appointed as the receiver
20 in October of 2013, at that time, did you give
21 the Court your background and qualifications?
22 **A. Yes.**
23 Q. Since that time, has anything changed?
24 **A. Well, I'm older.**

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1 Q. Besides being a tiny bit older. I
2 understand that you are not just a receiver for
3 this action, but you've served as the receiver in
4 other actions as well, correct?
5 **A. I've got two other receiverships in**
6 **which I'm active now. One is a Regions**
7 **Commercial Finance versus Richards Aviation,**
8 **which is in Chancery Court here in Memphis. And**
9 **the other is Suntrust Bank versus Avery Outdoors,**
10 **Inc., which is also in Chancery Court here.**
11 Q. So would it be fair to say that you're
12 familiar with evaluating and reconciling the
13 assets of businesses that need to go into
14 receivership?
15 **A. I have experience in doing that and also**
16 **derived from having spent 41 years doing business**
17 **bankruptcy work.**
18 Q. And in reviewing the reports of the
19 accountants, the reports prepared by Mr. Butler
20 and Mr. Rosenberg, are you familiar with
21 reviewing those types of reports in other cases?
22 **A. Yes.**
23 Q. And have you worked with either of those
24 two accountants in previous cases?

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1 **A. I worked with Mr. Rosenberg in 12 cases**
2 **prior to this. One was Beale Street Historic**
3 **District. I was the receiver for the Beale**
4 **Street Historic District for five years, and**
5 **Mr. Rosenberg assisted me in that. Previously, I**
6 **had worked with Mr. Rosenberg in connection with**
7 **the bankruptcy of BEP Services, Inc.**
8 **Mr. Butler and -- Mr. Rosenberg is assisting me**
9 **in the Avery case presently as is Mr. Butler.**
10 **But I had not worked with Mr. Butler prior to**
11 **this.**
12 Q. And so in the other cases that you've
13 had experience with Mr. Rosenberg, did you find
14 his work to be reliable?
15 **A. I did.**
16 Q. And accurate?
17 **A. Yes.**
18 Q. And in the case that you're working on,
19 I think you said the Avery Outdoors case where
20 Mr. Butler's involved, have you also found his
21 work to be reliable?
22 **A. Yes. Mr. Butler is an accountant with a**
23 **local accounting firm that used to be known as**
24 **Thompson Dunavant and is now part of a national**

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1 **network called CBIZ, C-B-I-Z, all caps. And both**
2 **Thompson Dunavant and CBIZ have an excellent**
3 **reputation in the accounting field. And I have**
4 **found Mr. Butler to be very thorough.**
5 Q. And so are you relying on the reports of
6 Mr. Rosenberg and Mr. Butler in this case?
7 **A. Yes, I am.**
8 Q. And what I would like to do maybe at the
9 next break is get a clean copy of the two reports
10 and make them the next two exhibits.
11 Have you reviewed those?
12 **A. Yes, I have.**
13 **(WHEREUPON, THE ABOVE-MENTIONED**
14 **DOCUMENTS WERE MARKED AS EXHIBIT NOS. 6 AND 7 TO**
15 **THE TESTIMONY OF THE WITNESS AND ARE HERETO**
16 **ATTACHED.)**
17 **BY MS. SHAW:**
18 Q. I apologize. I'm probably going to jump
19 around a little bit, but I'll do my best not to.
20 As the receiver in this case, after you
21 were appointed in October of 2013, did you visit
22 the premises of FAMC?
23 **A. Yes, I did.**
24 Q. Did you find any equipment or company

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1 property to have been removed from the property?
2 **A. I would have -- I don't recall specific**
3 **equipment that had been removed.**
4 Q. Was it your understanding from talking
5 with other employees and trying to look into the
6 equipment and property that was there that
7 property had been removed by members of the Bates
8 family?
9 **A. I may have had that understanding at**
10 **that time, yes.**
11 Q. And do you recall being told by any of
12 the FAMC or IRN employees that computers had been
13 removed from the property?
14 **A. Yes. Specifically I had been advised**
15 **that computers had been removed.**
16 Q. And were those computers used in the
17 course of business?
18 **A. Yes, they were.**
19 Q. And were the computers owned by FAMC?
20 **A. I'm not sure about that.**
21 Q. But they were computers that e-mail
22 correspondence with clients would have been
23 transacted on, correct?
24 **A. That is correct.**

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1 Q. Were you also advised that other
2 electronic equipment such as televisions had been
3 removed from the property?
4 **A. I don't recall that.**
5 Q. Do you recall if -- do you recall in the
6 IRN part of the office if there was a room with a
7 lot of electronic equipment for taping and things
8 like that?
9 **MR. TOWNLEY:** Can we clarify which
10 property we're talking about? The Memphis
11 property?
12 **MS. SHAW:** The Memphis property.
13 **BY MS. SHAW:**
14 Q. All these questions are directed as to
15 the Memphis property.
16 **A. In the IRN offices, there was what had**
17 **been initially planned to be a video recording**
18 **studio, and there was screens and there was video**
19 **equipment and so on.**
20 Q. And did you find in the course of your
21 investigation records for some generators that
22 were purchased by either FAMC or IRN?
23 **A. Yes, I did.**
24 Q. Were those generators found at either

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1 the Memphis office or the Colorado office?
2 **A. They were not.**
3 Q. Is it your understanding that those
4 generators were removed by members of the Bates
5 family?
6 **A. I don't know if they were ever delivered**
7 **to the Memphis office, so "removed" may not be**
8 **the correct word.**
9 Q. Is it your understanding that those
10 generators, as far as you know, are in the
11 custody of members of the Bates family?
12 **A. Yes.**
13 Q. Okay. You traveled to the Colorado
14 office of FAMC; is that correct?
15 **A. Yes.**
16 Q. And met with Cindy Stanley?
17 **A. Yes, I did.**
18 Q. And was she in possession of the tax
19 records of FAMC?
20 **A. She was in possession of some of the tax**
21 **records. No tax returns had been filed for**
22 **either corporation for a number of years. And I**
23 **got various stories about what had happened to**
24 **the accountant who had prepared the previous tax**

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1 **returns.**
2 Q. That's Ms. Gross-Prawn; is that correct?
3 **A. I think that's correct, yes.**
4 Q. And when you met with Ms. Stanley, did
5 she tell you if there was any other person in
6 management at the Colorado office in Colorado
7 besides her?
8 **A. There was no other person at the**
9 **Colorado office --**
10 Q. Okay.
11 **A. -- other than her.**
12 Q. Okay. And did she tell you --
13 **A. When I say that, I mean, there was no**
14 **other person in management. Her daughter served**
15 **as receptionist in the Colorado office, and there**
16 **were economists who had been employed by FAMC who**
17 **reported to the Colorado office but were no**
18 **longer employed at the time of the receivership.**
19 Q. And when you say "reported to the
20 Colorado office", do you mean to Ms. Stanley?
21 **A. I can't tell exactly what that chain of**
22 **authority is. They would check in with**
23 **Ms. Stanley. And what her capacity was, I don't**
24 **know that she had authority to direct them with**

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1 **regards to sales.**
2 Q. Okay. And am I correct that Ms. Stanley
3 would receive checks into the Colorado office for
4 the FAMCPM, LLC?
5 **A. That is my understanding, yes.**
6 Q. And then she would be responsible for
7 depositing those checks into the Verus account or
8 another account, correct?
9 **A. That's correct.**
10 Q. And then she had check signing authority
11 on the Guaranty account, correct?
12 **A. Correct.**
13 Q. And then she also had check signing
14 authority on the Wells Fargo account?
15 **A. That's correct.**
16 Q. And there were multiple accounts at
17 Wells Fargo, correct?
18 **A. There were.**
19 Q. There was an account for the sales of
20 books and media, right?
21 **A. That -- I believe that those records**
22 **were kept separately, yes.**
23 Q. Okay. But those records were kept by
24 Ms. Stanley, correct?

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1 **A. That's correct.**
2 Q. And then, is it your understanding based
3 on the depositions that have been taken in this
4 case and all of the investigation and
5 conversations that you've had that Ms. Stanley
6 interacted with the Memphis office on a daily
7 basis?
8 **A. Yes. She had frequent contact with**
9 **Dr. Bates or Barbara Bates or other people in the**
10 **Memphis office.**
11 Q. And am I correct that she's one of three
12 people that would have had the ability to move
13 money within the FAMC or IRN companies either by
14 deposit or withdrawal?
15 **A. Well, she had the authority to sign**
16 **checks on the Wells Fargo and the Guaranty**
17 **account. And she made deposits to all three**
18 **Colorado accounts.**
19 Q. Okay.
20 **A. I'm not aware that she had any authority**
21 **over the Memphis accounts.**
22 Q. Okay. So with the exception of the
23 First Tennessee Bank accounts that were in
24 Memphis, she had the ability to move money within

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1 those other three accounts, meaning check signing
2 authority so that she could write checks for
3 money to be withdrawn out of the two --
4 **A. That would be true as to Wells Fargo and**
5 **Guaranty. I do not know -- as I sit here today,**
6 **I couldn't tell you about Verus.**
7 Q. And did you see evidence that she had
8 written checks out of the two accounts that she
9 was authorized to do so?
10 **A. Yes.**
11 Q. And were any of those checks to herself?
12 **A. They may have been, yes.**
13 Q. You would not have found that to be
14 unusual, correct?
15 **A. Well, there were -- no. I wouldn't have**
16 **found it unusual in a number of respects. Number**
17 **1, she was a salaried employee, so she would have**
18 **signed her own paycheck since she issued the**
19 **payroll. Number 2, there are some -- the**
20 **practice of the company was that there were**
21 **certain items that were purchased, legitimate**
22 **expenditures for company purposes for supplies**
23 **and petty cash and that sort of thing that**
24 **individuals in the company would have advanced**

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1 **and then been reimbursed for.**
2 Q. And Cindy Stanley did that, correct?
3 **A. That's correct.**
4 Q. And she also had a company credit card,
5 correct?
6 **A. That is correct.**
7 Q. And a company vehicle?
8 **A. Yes.**
9 Q. And that company vehicle is still in her
10 possession?
11 **A. So far as I know, yes.**
12 Q. And with the exception of the last few
13 payments that were to be paid by either she or
14 Dr. Bates, was it your understanding that the
15 company had paid the rest of the payments due and
16 owing?
17 **A. That is my understanding, yes.**
18 Q. So the majority of the payments made on
19 that vehicle were made by FAMC, correct?
20 **A. That's correct.**
21 Q. Okay. Is it your understanding that she
22 also received coins for disbursement or -- well,
23 let me ask this. Let me rephrase that question.
24 Is it also your understanding that

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1 Ms. Stanley would have received coins into the
2 Colorado office periodically?
3 **A. Yes.**
4 Q. And not only that, but she took coins in
5 from customers that were selling coins back to
6 the company?
7 **A. I believe that to be the case, yes.**
8 Q. And there was a small area in the
9 Colorado office that was used to store small
10 amounts of coins, correct?
11 **A. It was a very small safe in the Colorado**
12 **office, yes.**
13 Q. And when you traveled there, that safe
14 was -- was that safe empty or do you remember?
15 **A. There was a very small amount of**
16 **material in the Colorado safe. Very little of it**
17 **were coins or precious metals. The bulk of it**
18 **was silver and jewelry and coils of silver.**
19 Q. Okay.
20 **A. But sort of -- there was some -- I think**
21 **there was some kitchenware. But it was really**
22 **kind of odds and ends of precious metals. It was**
23 **not -- the bulk of it was not the coins that we**
24 **saw in other transactions, the Swiss Francs,**

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1 **Silver Eagles, Canadian Maple Leafs and that sort**
2 **of thing.**
3 Q. And is it your understanding that
4 Ms. Stanley would have been responsible for
5 generating the customer invoice that went out to
6 all of the customers from the Colorado office?
7 **A. I don't recall.**
8 Q. Okay. And is it your understanding that
9 she was listed as an officer of the FAMC
10 corporation on the incorporation documents?
11 **A. I seem -- I do recall that she was**
12 **listed as an officer. I don't recall what office**
13 **it was.**
14 Q. And then the other two people listed on
15 the incorporation documents for FAMC,
16 Incorporated would have been Larry Bates and
17 Barbara Bates, correct?
18 **A. Yes, that's correct.**
19 Q. And then, the two listed on their IRN
20 incorporation documents are Larry Bates and
21 Barbara Bates, correct?
22 **A. That is my recollection, yes.**
23 Q. And then the only person listed on the
24 LLC documents for FAMCPM is Larry Bates?

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1 **A. That's correct. That's my recollection,**
2 **yes.**
3 Q. Is it your understanding that FAMCPM,
4 LLC was created for Tennessee residents to place
5 orders with the company and avoid the sales tax
6 payment on those orders?
7 **A. That's correct.**
8 Q. When you undertook to investigate and
9 try to collect the records that existed at the
10 FAMC Memphis office, did you find there to be
11 records missing?
12 **A. Yes.**
13 Q. Did that include customer records?
14 **A. Yes.**
15 Q. Did that include credit card records?
16 **A. Yes.**
17 Q. Did that include bank records?
18 **A. Yes.**
19 Q. As a result of that, did you have to
20 undertake to re-create many of the records?
21 **A. Yes.**
22 Q. And would it be fair to say that a
23 substantial portion of the bill that you've
24 submitted so far deals with having to re-create

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1 the business of the company since those records
2 were missing?
3 **A. That was certainly a large element.**
4 Q. Okay. And do you have -- from your
5 interviews and investigation with other
6 employees, do you know who took those records
7 from the office?
8 **A. No.**
9 Q. Okay. Do you know who had access to
10 those records?
11 **A. Yes.**
12 Q. Who?
13 **A. Well, there were only six people who**
14 **were allowed into the executive suite. And the**
15 **way the office was set up, a person would come**
16 **into the reception area and to the right were the**
17 **IRN offices and then to the left and back were**
18 **the FAMC offices. And the first hallway was**
19 **where Chuck Bates' office was. And then, you**
20 **went down the hallway and there were offices for**
21 **the various economists. And then, Robert Bates'**
22 **office was at the end of the hall.**
23 **Then there was a separate executive**
24 **suite, and that had a separate lock and code that**

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1 you had to use to get in. The only people
2 allowed in the executive suites were Larry Bates,
3 Barbara Bates, Chuck Bates, Robert Bates, Kenzie
4 Brown Bates and Sherry Barnett.
5 Q. Okay. And so were the documents that --
6 the categories of documents that I just asked you
7 about that were missing, would they have been
8 located within the executive suite?
9 A. Yes.
10 Q. So one of those six people -- or more
11 than one -- among those six people, they would
12 have been the people with access to those
13 records?
14 A. If the records were ever received in the
15 executive office, then those would be the only
16 people who would have had access to the records.
17 Q. Okay. So those would have been the only
18 people that could have removed them from the
19 premises in theory?
20 A. Under the procedure in that office, yes.
21 Q. Okay. And then, the records that were
22 sent to Colorado, the only person that would have
23 been responsible for those records would have
24 been Cindy Stanley, correct?

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1 A. That's correct.
2 Q. So any bank statements or customer
3 records that would have been shipped there would
4 have been within her possession and control?
5 A. That's correct. Anything we needed from
6 the Colorado office, we had to go through Cindy
7 to get.
8 Q. Okay. And were there also documents
9 missing from the Colorado office?
10 A. I believe there were.
11 Q. Okay. Is it your understanding that
12 Kenzie Brown Bates, Robert Bates, Chuck Bates or
13 Barbara Bates or Larry Bates would take company
14 materials to the residence of Barbara Bates and
15 Larry Bates from time to time?
16 A. Yes.
17 Q. And did that include customer checks?
18 A. I can't tell you exactly what they took
19 at what time to the personal residence. But I do
20 know that when I met with Dr. Bates at the
21 personal residence, there were some limited
22 amount of company records on the premises.
23 Q. Okay. And speaking of your visit to the
24 Bates farm in November, were you allowed to go to

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1 any part of the property?
2 A. Well, no. But the parts of the property
3 that I was allowed to go to is Dr. Bates showed
4 me the barn. There are actually two barns, and I
5 examined both of those. And there is an office
6 in one of the two barns. And I was offered an
7 opportunity to look through that office. And
8 then, he had a personal office in the front part
9 of the house, and I met with him in that personal
10 office in the house. I did not look at any other
11 part of the property other than those, the two
12 barns, the office in the barn and the office in
13 the house.
14 Q. Okay. And so the records that were
15 provided to you by Dr. Bates would have been
16 given to you by him at that point?
17 A. That is correct. I did not make -- I
18 did not independently go through his desk.
19 Q. Or inspect any other part of the
20 property for any company property or records?
21 A. That's correct.
22 Q. So there may be records out there that
23 you did not have access to, correct?
24 A. I don't know one way or the other.

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1 Q. Okay. Exhibit -- I'm going to pass you
2 [Exhibit 1](#) marked for ID, [Exhibit 2](#) and [Exhibit 3](#).
3 I know you told us that you had not seen
4 [Exhibit 1](#) or [Exhibit 3](#) before; is that correct?
5 A. No. I said I don't recall seeing
6 [Exhibit 1](#). I may have seen it, but I don't
7 recall seeing [Exhibit 1](#) before.
8 Q. Okay. So you don't independently recall
9 that specific document?
10 A. That's correct.
11 Q. Okay.
12 A. [Exhibit 2](#), I'm familiar with. I said I
13 was familiar with the transaction form, and I
14 have seen that.
15 [Exhibit 3](#), I have never seen before and
16 I have no knowledge of when and how it was
17 created.
18 Q. Okay. Would that suggest to you that
19 Dr. Bates is still in possession of some company
20 material at this time?
21 A. Well, that's certainly one possible
22 conclusion.
23 Q. Okay.
24 MR. BEASLEY: That's speculation anyway.

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1 Good speculation anyway.
2 **BY MS. SHAW:**
3 Q. I want to ask you about some things that
4 Mr. Beasley talked with you about during the
5 questioning that he asked.
6 He asked you if there were any documents
7 that existed for various different things. Do
8 you recall that line of questions?
9 **A. Yes, I do.**
10 Q. Okay. All of them dealt with the
11 premise that there were no documents that existed
12 that reflected that either Chuck Bates or Robert
13 Bates were management or had any control over the
14 company?
15 **A. Well, let's distinguish "management" and**
16 **"control" and "officer status". Those are all**
17 **very different things.**
18 Q. Okay. I want to talk about each of
19 those things.
20 **A. Okay.**
21 Q. Is it your understanding that Dr. Bates
22 was absent from the company for a long, extended
23 period of time?
24 **A. Yes. It's my understanding that**

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1 **Dr. Bates began experiencing some -- experiencing**
2 **some health issues in 2011 and again in 2012. I**
3 **think there was a hip surgery and there was a**
4 **heart surgery, and I can't remember which one**
5 **came first. But that left him out of the office**
6 **for substantial periods of time during that**
7 **two-year period.**
8 Q. Okay. And who would have been
9 responsible for the running and the day-to-day
10 operations of the company in his absence?
11 **A. Well, as near as I could tell from my**
12 **interviews with the FAMC employees is management**
13 **of FAMC really devolved on Chuck and to a lesser**
14 **extent, Bob.**
15 Q. And I'm going to ask the same question
16 as to IRN.
17 **A. Well, they're much more -- clearly and**
18 **obviously, Chuck was very much in charge and to a**
19 **lesser extent, Bob.**
20 Q. Okay. And in fact, as far as IRN was
21 concerned even after you took over as receiver,
22 Charles Bates and Robert Bates had control of the
23 employees, correct?
24 **A. And we've called them Charles and Robert**

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1 **and Chuck and Bob. I mean, when -- I knew them**
2 **as Chuck and Bob, so.**
3 Q. Okay. So we're talking about the same
4 people when we're talking about Chuck and Bob and
5 Robert and Charles?
6 **A. Right.**
7 Q. Is it my -- is it correct that after you
8 were appointed as the receiver that Chuck and Bob
9 attempted to fire an IRN employee?
10 **A. Yes.**
11 Q. And was it your understanding that
12 before you were appointed as the receiver, they
13 had the ability to fire employees if they so
14 wished?
15 **A. Yes.**
16 Q. Okay. And that was an employee of IRN,
17 correct?
18 **A. That's correct.**
19 Q. As to FMAC, you've testified that the
20 management in the absence of Larry Bates fell
21 mainly to Chuck and to a lesser extent, Bob.
22 Would that have been true with control of the
23 company as well?
24 **A. I don't know that I could say that.**

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1 Q. Okay. But you can say that as to the
2 management of the company, correct?
3 **A. Well, I'm not sure I understand how**
4 **you're using the term "management".**
5 Q. Let me define it more clearly. As far
6 as the day-to-day operations, answering the
7 phone, talking to customers, representing to
8 customers when orders would be filled, taking
9 client orders, calculating commissions,
10 reprimanding or hiring of employees, making sure
11 that employees' commissions were paid,
12 communicating with Dr. Bates, e-mailing or
13 transacting business as far as receiving coins,
14 for instance, or signing for coins that would be
15 received at the company, is it your understanding
16 that Chuck and to a lesser extent, Bob,
17 participated in all of those actions?
18 **A. Would have participated, but would not**
19 **have necessarily controlled some aspects of that.**
20 Q. Okay.
21 **A. My understanding was that the receipt**
22 **and delivery of precious metals, the control of**
23 **those decisions rested with Dr. Larry Bates.**
24 Q. So would it be fair to say that as far

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1 as ordering or placing orders of the coins, that
2 rested solely with Dr. Larry Bates?
3 **A. That is my understanding.**
4 Q. Okay. But if those coins had been
5 delivered, for instance, to the Memphis office
6 and Dr. Larry Bates was absent, did you see
7 evidence in the file that Chuck Bates had signed
8 for delivery?
9 **A. Yes.**
10 Q. And did you see evidence that Robert
11 Bates had signed for delivery?
12 **A. I think so.**
13 Q. And so to the extent that they had the
14 authority to do that, even though it's not
15 reflected in the documents, it's reflected in
16 their actions, correct?
17 **A. That would be correct. And let me add**
18 **one detail, is that within the executive suite,**
19 **there was a separate locked room, which had a**
20 **different code which was the shipping room, and**
21 **that's where metals were prepared for shipment**
22 **out. Shipping materials were in there and there**
23 **were two large safes. And Bob and Chuck were the**
24 **ones who had access to the code to get into the**

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1 **shipping room and they had the combinations to**
2 **the safes.**
3 Q. And is it correct that Bob Bates also
4 kept some guns in there as well, some personal
5 property?
6 **A. I don't recall seeing any guns in the**
7 **FAMC office.**
8 Q. Okay.
9 **A. There may have been some -- well, no. I**
10 **take that back. There was a shotgun.**
11 Q. And that was represented to you to
12 belong to Bob Bates, correct?
13 **A. No, I don't recall that.**
14 Q. Okay. But there would have been a
15 shotgun back there, but the only people with
16 access to the shipping room would have been Larry
17 Bates, Barbara Bates, Chuck Bates and Robert
18 Bates; is that correct?
19 **A. Sherry Barnett went in and out of that**
20 **office, but I don't recall that she -- I don't**
21 **think she had the combinations to the safes. And**
22 **I can't recall whether she had the combination to**
23 **the shipping room.**
24 Q. Okay. Are there any other persons other

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1 than a member of the Bates family that have made
2 claims for loans to the company, to your
3 recollection?
4 **A. We have -- I don't recall. We have,**
5 **obviously, a large number of plaintiffs who claim**
6 **that they ordered -- placed orders with FAMC and**
7 **those orders were not filled. Then we have a**
8 **certain limited amount of trade creditors, just**
9 **the kinds of expenses incurred in the ordinary**
10 **course of business.**
11 Q. Well, let me rephrase my question. Is
12 there any other consultant other than Robert
13 Bates or Chuck Bates with FAMC that has turned in
14 a claim to you stating that they loaned money to
15 the company?
16 **A. I actually -- I simply don't recall.**
17 Q. Okay. You testified that after you took
18 over as receiver that you left Bob and Chuck
19 Bates employed by FAMC and IRN; is that correct?
20 **A. They both continued to work for IRN**
21 **until early December. And I can't remember how**
22 **we left their status with FAMC. But at that**
23 **point in time, FAMC was not conducting any**
24 **further metal sales, not taking orders, so there**

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1 **would have been no activity for them to do other**
2 **than to help assemble records.**
3 Q. And in early December, did you terminate
4 Chuck Bates?
5 **A. Yes.**
6 Q. Why?
7 **A. There were -- I think we had some**
8 **disagreements over how IRN should be managed.**
9 Q. Okay. And in early December, did you
10 terminate Bob Bates?
11 **A. Yes.**
12 Q. Why?
13 **A. Same answer.**
14 Q. Okay. I noted that Mr. Beasley asked
15 you if Chuck Bates was cooperative. I did not
16 hear him ask that question with regard to Bob
17 Bates.
18 Did you find Robert Bates to be
19 cooperative?
20 **A. He -- Bob Bates was not as cooperative**
21 **as Chuck.**
22 Q. Okay. When he was terminated from the
23 company, did he maintain a professional attitude
24 at that time?

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1 A. No. He became quite angry.
2 Q. Okay. Do you recall any specifics
3 around -- about that encounter?
4 A. Well, yeah. I mean, he -- he was very
5 angry and he made a very angry statement.
6 Q. What was that statement?
7 A. He said, in an earlier time, I would
8 have taken you out and whipped your ass.
9 Q. Did he make any other statements to that
10 line?
11 A. No. I don't recall that. Then he
12 marched down the hall and slammed his door rather
13 violently.
14 Q. Okay. Did Chuck Bates have a company
15 credit card?
16 A. I don't recall.
17 Q. If it's reflected in the report of
18 Mr. Butler that he did, would you have any reason
19 to disagree with that?
20 A. No. That's -- that was one of
21 Mr. Butler's duties to look at those things.
22 Q. And in fact, he identified company
23 credit cards for Larry Bates, Robert Bates, Chuck
24 Bates -- give me just a second to find his

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1 chart -- and Barbara Bates --
2 MS. MARTIN: I think it is the last one,
3 Amber.
4 MS. SHAW: Thank you.
5 BY MS. SHAW:
6 Q. -- Kenzie Bates and Cindy Stanley
7 reflected in Exhibit H.
8 A. That sounds correct.
9 Q. Okay. And Mr. Butler also reported that
10 there were personal expenses that were charged on
11 those cards; is that correct?
12 A. Yes.
13 Q. Okay. I understand that Mr. Butler also
14 reported that there were legal fees -- personal
15 legal fees paid out of company funds. Were those
16 for Mr. Robert Bates? Do you recall?
17 A. Yes. Yes.
18 Q. Okay. And am I correct that there was a
19 check written directly from FAMC to -- well, let
20 me rephrase that question.
21 Am I correct that there was a check
22 written out of an FAMC account specifically for
23 the use of charges brought against Mr. Robert
24 Bates in Arizona?

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1 A. There appears to be a check written out
2 of the FAMC account for, I believe, it's \$250,000
3 to post bond in a county in Arizona.
4 Q. Was that related to criminal charges
5 against Robert Bates?
6 A. Yes.
7 Q. Did you find any evidence that that
8 money was repaid to the company?
9 A. I believe it was.
10 Q. Okay. And am I correct that FAMC was
11 responsible for the payment of the rent of Robert
12 Bates for 197 Ivy Lane in Memphis, Tennessee?
13 A. It was an interesting relationship
14 between Mr. Robert Bates' housing and FAMC. FAMC
15 at one time paid rent and then at another time
16 paid what appears to be the mortgage note for
17 property occupied by Mr. Bates.
18 Q. Mr. Robert Bates?
19 A. Robert Bates, yeah. Sorry. We have
20 many, many Bates.
21 Q. Have you had an opportunity to interact
22 with any of the customers of FAMC that have made
23 claims as part of a class?
24 A. I have not -- well, yes, I've had a

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1 number of phone conversations with -- with
2 customers.
3 Q. Okay. During those conversations, did
4 you receive information that Charles Bates or
5 Robert Bates made representations on behalf of
6 the company as to the status of orders?
7 A. I don't specifically recall
8 conversations dealing with that subject.
9 Q. Okay. Is it your understanding from
10 either conversations you've had or conversations
11 that members of your staff have had that Charles
12 Bates or Robert Bates when they interacted with
13 customers would make representations about the
14 status of orders?
15 A. Yes.
16 Q. And if I can give you an example that
17 they would -- is it true that they would give
18 advice about what types of metals to purchase and
19 the quantities of those types of metals?
20 A. There was a period of time when it
21 appeared to be the policy of FAMC to encourage
22 people to convert their silver holdings into
23 gold.
24 Q. And did you find evidence that Robert

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1 Bates and Charles Bates, among others, had given
2 advice to that degree?
3 **A. Yes.**
4 Q. Okay. And then, did you also receive
5 information that Charles Bates or Robert Bates
6 would have made representations about when the
7 orders would be filled?
8 **A. I think there are some e-mails -- I seem**
9 **to recall some e-mails that dealt with that.**
10 Q. Okay. And in addition to some e-mails,
11 did you also understand that they would routinely
12 tell customers that they could expect their coins
13 to be delivered within, for example, 90 days or
14 six months or when somebody would call to
15 complain, that they would find out for them what
16 the status was and call them back?
17 **A. They did make statements in an effort to**
18 **keep hope alive.**
19 Q. Is it your understanding that Chuck
20 Bates also calculated the commissions for all of
21 the consultants?
22 **A. I don't know whether he did it for all**
23 **of them and I don't know to the extent to which**
24 **he may have been directed by Mr. Larry Bates in**

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1 **calculating those commissions. But yes, he did**
2 **mark up commissions often.**
3 Q. So you're not sure if he came up --
4 well, let me rephrase it.
5 If Dr. Larry Bates told him how -- what
6 percentage of commission that a consultant was to
7 receive off of an order, is it your understanding
8 he would calculate that up and send that over to
9 Cindy Stanley to be paid?
10 **A. Yes.**
11 Q. And am I correct that you testified that
12 the FAMC had made deductions for health savings
13 account from the payroll, but that that money had
14 not been deposited into the accounts of the
15 employees at the time that you took over as
16 receiver?
17 **A. That is correct.**
18 Q. Do you know where that money had gone?
19 **A. Been used in operations of the company.**
20 Q. Okay. And am I correct that payroll
21 taxes had not been paid for either FAMC or IRN --
22 **A. That is correct.**
23 Q. -- at the time you took over?
24 And although you testified that there

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1 are no, quote, documents that reflect the
2 authority of either Robert Bates or Chuck Bates
3 to act in any management capacity, do you have
4 testimony or evidence that reflects that they
5 did?
6 **A. Well, to the extent that we've already**
7 **addressed that when we discussed management and**
8 **direction and control, yes. Particularly in the**
9 **period when Dr. Bates was going through his**
10 **health issues, it appeared that Bob and Chuck**
11 **exercised a good deal of authority. And to**
12 **the -- I don't know the extent to which they were**
13 **being directly guided by Dr. Bates or were acting**
14 **independently.**
15 Q. Is it your understanding that Robert
16 Bates accepted checks from FAMC or wrote out
17 checks to himself signed by either Barbara Bates
18 or Larry Bates by from FAMC?
19 **A. Yes.**
20 Q. And he converted those monies to
21 personal use?
22 **A. No. My testimony is that it is my**
23 **understanding that he caused checks to be made**
24 **out to himself.**

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1 Q. Okay.
2 **A. And that they were signed by Barbara**
3 **Bates or Larry Bates.**
4 Q. And let me ask it a different way. Do
5 you recall if they were deposited into an account
6 that was owned by him individually?
7 **A. Yes.**
8 Q. Okay. Is it your understanding that
9 Chuck Bates continued to sell coins to customers
10 despite knowing that the orders were not being
11 filled timely?
12 **MR. TOWNLEY:** Run that question by me
13 again.
14 **MS. SHAW:** Can you read it back?
15 (WHEREUPON, THE REQUESTED PORTION WAS
16 READ BY THE COURT REPORTER.)
17 **THE WITNESS:** It would be my
18 understanding that Chuck Bates continued to
19 accept orders at a time when he knew or should
20 have known that orders were routinely not being
21 filled.
22 **BY MS. SHAW:**
23 Q. Okay. And is that also your
24 understanding as to Robert Bates?

| | |
|--|--|
| <p style="text-align: right;">Page 105</p> <p>1 A. Yes. 2 Q. Is that also your understanding as to 3 Larry Bates? 4 A. Yes. 5 Q. Dr. Bates asked you several questions 6 about hedging. 7 A. Yes. 8 Q. From your investigation, did the hedging 9 fees added to the transaction form for a customer 10 order appear to be legitimate fees to be added? 11 A. I couldn't say that they did. 12 Q. Is it your understanding that company 13 credit cards were used by Larry Bates for 14 personal transactions? 15 A. Yes. 16 Q. Is it your understanding that company 17 credit cards were used by Robert Bates for 18 personal transactions? 19 A. Yes. 20 Q. Is it your understanding that company 21 cards were used by Charles Bates for personal 22 transactions? 23 A. Yes. 24 Q. Same question as to Kenzie Bates?</p> | <p style="text-align: right;">Page 107</p> <p>1 Q. In your experience as serving as the 2 receiver for different types of businesses where 3 different corporate documents exist and then in 4 some instances where they don't exist, did you 5 find FAMC to be more of a family run business as 6 opposed to a very formal corporate office 7 environment? 8 A. Those are extremely vague terms. 9 Q. Okay. Let me see if I can ask that 10 question a little bit differently. The way that 11 FMAC was run, let me ask you a question about 12 that. Were there a set of formal corporate 13 documents that governed everyone's position? 14 A. Yeah. No. It was extremely loose. 15 Q. Okay. So would it have been unusual in 16 the loose atmosphere of FAMC for there to have 17 been a document that existed that defined the 18 parameters of Chuck Bates' authority? 19 A. No. Given the way FAMC and IRN 20 operated, I would not expect to find a document 21 clearly defining the scope of authority of either 22 Chuck or Bob or Larry or Barbara or any other -- 23 or Cindy. 24 Q. Okay. And I've heard you refer to</p> |
| <p style="text-align: right;">Page 106</p> <p>1 A. Yes. 2 Q. And Barbara Bates? 3 A. Yes, but much more limited. 4 Q. Okay. And then Cindy Stanley? 5 A. Yes. But also very limited. 6 Q. And when you say "limited", do you mean 7 to a lesser extent? 8 A. To a lesser extent. 9 Q. Are you aware of any other employee at 10 FAMC other than Robert Bates that was allowed to 11 use the company's credit cards at the Ritz 12 Carlton Hotel in New York for a personal trip? 13 A. No, I am not. 14 Q. What about any other employee other than 15 Robert Bates that was allowed to use the company 16 credit card for a trip to Saint Thomas in the 17 Virgin Islands for he and his spouse, Candy 18 Bates? 19 A. I'm not aware of any other employee who 20 got that benefit. 21 Q. Okay. Was there any other employee that 22 received the benefit of the company paying for 23 his divorce attorney other than Robert Bates? 24 A. No.</p> | <p style="text-align: right;">Page 108</p> <p>1 "insiders" several times. Do you define 2 "insiders" to include Cindy Stanley? 3 A. Yes. Because she had authority in the 4 Colorado office. 5 Q. Do you define "insiders" to includes 6 Chuck Bates? 7 A. Yes. 8 Q. Robert Bates? 9 A. Yes. 10 Q. Barbara Bates? 11 A. Yes. 12 Q. Kenzie Brown Bates? 13 A. Yes. 14 Q. And Larry Bates? 15 A. Yes. 16 Q. Dr. Bates asked you some questions about 17 the firearm given to you by Steven Graves. 18 A. Yes. 19 Q. Is it your understanding that those 20 firearms were purchased for use by FAMC 21 employees? 22 A. They were. 23 Q. Is it your recollection that Ms. Stanley 24 was listed as the vice president of FAMC?</p> |

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1 **A. That's my recollection.**
2 Q. Okay. Not the LLC, but FAMC, Inc.?
3 **A. Yes.**
4 Q. Okay.
5 **A. On some of the original corporate**
6 **documents.**
7 Q. Okay. And is it your understanding that
8 she -- she, along with Barbara Bates, managed the
9 books for FAMC, Inc.?
10 **A. For the most part, yes.**
11 Q. Okay. And that she and -- Cindy Stanley
12 and Barbara Bates managed the books for IRN; is
13 that correct?
14 **A. Yes.**
15 Q. And that Cindy Stanley, Barbara Bates
16 and Larry Bates managed the books for FAMCPM,
17 LLC?
18 **A. Yes.**
19 Q. Okay. In your investigation, did you
20 find evidence that Larry Bates had converted
21 company funds to accounts owned by him
22 individually?
23 **A. In the course of my investigation, it**
24 **appears that money came from FAMC, which**

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1 **ultimately found its way into Dr. Bates' personal**
2 **accounts, yes.**
3 Q. And can I ask you the same question as
4 to Barbara Bates?
5 **A. To -- I'm not sure that I've -- we've**
6 **got any tracing that traces it to her except to**
7 **the extent that they had joint accounts.**
8 Q. Okay. What about with regard to Chuck
9 Bates?
10 **A. Yes.**
11 Q. With regard to Bob Bates?
12 **A. Yes.**
13 Q. With regard to Cindy Stanley?
14 **A. I don't recall.**
15 Q. Okay. With regard to Kenzie Bates?
16 **A. I don't recall.**
17 Q. Okay. Would it be true if she and Bob
18 had joint accounts together?
19 **A. Yes.**
20 Q. Okay. Do you recall finding any
21 documentation about the purchase of a diamond
22 ring for Kenzie Bates with company money during
23 your investigation?
24 **A. I recall having that discussion and**

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1 **perhaps seeing those records, but I don't recall**
2 **the details of the transaction.**
3 Q. Is it your understanding that -- I
4 realize that earlier I asked you about the
5 interaction of Robert Bates and Chuck Bates with
6 regard to customers and representations that were
7 made. Would those questions also be true as to
8 Larry Bates?
9 **A. As to who?**
10 Q. Larry Bates.
11 **A. Yes.**
12 Q. Okay. And then do you recall the
13 testimony of Ms. Cindy Stanley where she
14 testified that she had also represented to
15 customers as to the status of orders or
16 interacted with customers?
17 **A. Yes.**
18 Q. And then, do you recall any -- during
19 the course of your investigation, do you recall
20 receiving any information that Kenzie Brown Bates
21 also interacted with customers?
22 **A. Yes. She tended to be the one who**
23 **fielded the complaints that came into the FAMC**
24 **office.**

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1 Q. And based on your conversations of the
2 conversations of your staff, is it your
3 understanding that Kenzie Bates also made
4 representations about the status of orders to
5 customers?
6 **A. Yes.**
7 Q. And I understand that although the
8 preliminary report in November reflected that
9 there was about a 26 million-dollar deficit
10 between orders placed and orders filled that the
11 revised deficit is about 18-and-a-half million;
12 is that correct?
13 **A. That's correct.**
14 Q. Dr. Bates asked you some questions about
15 the RJ O'Brien account. Do you recall those
16 questions?
17 **A. Yes.**
18 Q. I see on Page 6 of Mr. Butler's report
19 that he states, the company used the funds that
20 should have been used to fulfill customer orders
21 to pay operating expenses for benefit of IRN
22 provided advance to Larry Bates for commodities
23 trading upon which he earned a significant
24 profit, open paren, see removed party transaction

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1 section of this report, closed paren, and to pay
2 operating expenses of the company, which include
3 expenses that were potentially nonbusiness
4 related and unearned commissions.
5 Do you agree with that statement based
6 on your investigation?
7 **A. Yes.**
8 **Q.** Is it your understanding that according
9 to Page 8 of Mr. Butler's report that Larry Bates
10 had the company advance him \$2,652,000 to be used
11 for commodities trading with brokerage firms RJ
12 O'Brien and Associates, LLC and ADM Investors,
13 Inc.? is that consistent with what you found?
14 **A. Yes.**
15 **Q.** There's also a statement from Mr. Butler
16 that says, Mr. Bates principally used the
17 proceeds from RJ O'Brien and ADM Investors for
18 the benefit of himself and his family.
19 Do you agree with that statement?
20 **A. Yes.**
21 **Q.** He purchased automobiles, which included
22 a new Ford F150, Chevy Traverse and Chevrolet
23 Suburban and loaned \$265,769 to members of his
24 family.

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1 Do you agree with that statement?
2 **A. All the details are in there and I --**
3 **Q.** Agree with all of them?
4 **A. Yes.**
5 **MS. SHAW:** Those are all the questions I
6 have.
7 **THE WITNESS:** Very good.
8 **MR. BATES:** I have one more question.
9 **EXAMINATION**
10 **BY MR. BATES:**
11 **Q.** Ms. Shaw mentioned 18.5 million and
12 earlier you testified it was 16 million. Which
13 is it?
14 **A. No, no, no. Earlier -- the initial**
15 **reports to the Court based on our initial**
16 **investigation were that there was 26 million**
17 **dollars in unfilled orders. As you will find out**
18 **when you talk to Mr. Butler and Mr. Rosenberg,**
19 **when they went back and tested that and had**
20 **access to more records and more time to review**
21 **everything, it appears that the amount -- total**
22 **amount of unfilled orders is approximately 18**
23 **million dollars.**
24 **Q.** So what was the 16 million you testified

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1 to earlier today?
2 **A. I don't recall testifying to 16 million.**
3 **I mean, it's 18 million is what's in the report.**
4 **And earlier, there was -- we had reported 26**
5 **million dollars. We've refined that based on our**
6 **investigation down to 18 million.**
7 **Q.** So the 26 million narrative that was
8 reported to the Court is not correct?
9 **A. No. It's an 18-million-dollar**
10 **narrative.**
11 **Q.** 18.5 million?
12 **A. That's correct.**
13 **Q.** But you testified earlier 16 million,
14 so --
15 **A. I don't recall -- Dr. Bates, I do not**
16 **recall testifying to 16 million. If I said 16**
17 **million, I meant to rely on the 18.5 million**
18 **dollars in the report.**
19 **Q.** If we have records --
20 **A. If I said 16 million, I misspoke myself.**
21 **It's 18.5.**
22 **Q.** Do you have records of where myself and
23 Barbara Bates have loaned the company money?
24 **A. Only -- only the handwritten ledgers**

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1 **that reflect that.**
2 **Q.** And what about the wire --
3 **A. There are no notes -- there are no**
4 **promissory notes. There are no corporate**
5 **documents authorizing such a transaction.**
6 **Q.** What about the wire transfers in from
7 personal accounts to the company?
8 **A. I think we have some of those, too.**
9 **Q.** But is that reflected in the report?
10 **A. Yes.**
11 **MR. BATES:** No further questions.
12 **EXAMINATION**
13 **BY MR. TOWNLEY:**
14 **Q.** I have a couple of follow-ups. I want
15 to make these exhibits because I now have copies,
16 thanks be to God.
17 I'm going to show you this document
18 which purports to be the report of Mark F.
19 Rosenberg.
20 **A. Yes.**
21 **Q.** Take a look at that and let me know if
22 you recognize that.
23 **A. Yes, I do.**
24 **MR. TOWNLEY:** If we can mark that as the

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1 next exhibit.
2 **BY MR. TOWNLEY:**
3 Q. And I'm also going to show you a copy of
4 what purports to be report of findings related
5 exhibits of Rhett Butler CPA and ask you if you
6 recognize that --
7 **A. Yes.**
8 Q. -- to be the report of Mr. Butler you
9 described in your earlier testimony?
10 **MR. TOWNLEY:** If we could have that
11 marked as the next numbered exhibit.
12 **THE COURT REPORTER:** She's already
13 marked them.
14 **BY MR. TOWNLEY:**
15 Q. I just have a couple of follow-up
16 questions. It will only take a minute.
17 With respect to the handwritten ledgers
18 which you described as showing -- is it insider
19 transactions? Is that how you described that?
20 **A. Yeah. Those are the only handwritten**
21 **ledgers I've looked at.**
22 Q. Where were those found?
23 **A. My recollection is they came out of**
24 **Barbara Bates' office, but they may have come**

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1 **from another source.**
2 Q. And would those insider transactions,
3 would those be the same as the loans that are
4 reflected in Mr. Butler's report?
5 **A. I have to take a look at that.**
6 Q. Please do. Review whatever you need to.
7 **A. I think Mr. Butler reviewed those**
8 **handwritten ledgers and then examined the other**
9 **documents. But you'll have to ask him as**
10 **specifically what he examined and how he compared**
11 **it to the two.**
12 Q. So your recollection -- your own
13 recollection -- you've looked at the handwritten
14 ledgers?
15 **A. That's correct.**
16 Q. And your own recollection of those
17 handwritten ledgers, would that be consistent
18 with the loans that he described in his report?
19 **A. The loans he described in his report**
20 **would be -- would match up with the ledgers to**
21 **some extent. There may be some variance because**
22 **there may be other transactions that he's**
23 **included.**
24 Q. Okay. And in any of those handwritten

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1 ledgers, did those indicate any --
2 **A. And excuse me. And there may be**
3 **transactions in handwritten ledgers, which were**
4 **excluded because the ultimate documentation**
5 **didn't match.**
6 Q. Okay. I understand. In the handwritten
7 ledgers that you reviewed or that you saw, was
8 there any indication of loans or other
9 transactions from the company to Cindy Stanley
10 in those ledgers to your recollection?
11 **A. I don't recall any loan transactions**
12 **with Cindy Stanley.**
13 Q. Okay. Were there any transactions in
14 the handwritten ledgers, the insider ledgers that
15 indicated any type of transactions from the
16 company to Cindy Stanley, to your recollection?
17 **A. I don't recall seeing any, no.**
18 Q. All right. And with respect to the
19 credit card purchases which are described as
20 personal transaction, was there a criteria to
21 determine what type of transactions would be
22 categorized as personal transactions from the
23 credit card statements?
24 **MR. TOWNLEY:** I don't remember what I

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1 said. Can you read back what I said?
2 (WHEREUPON, THE REQUESTED PORTION WAS
3 READ BY THE COURT REPORTER.)
4 **THE WITNESS:** Those criteria would have
5 been established by Mr. Butler.
6 **BY MR. TOWNLEY:**
7 Q. Okay. Was that with your input?
8 **A. No.**
9 Q. Okay. Do you know what type of criteria
10 he used?
11 **A. We've had brief discussions, but no.**
12 Q. Okay. So the types of transactions that
13 were described in the report would seem to be
14 meals, travel, I think there was a divorce
15 attorney, things of that nature?
16 **A. Yeah. There are some that are pretty**
17 **clearly personal. I mean, things like an**
18 **excursion to New York and theater tickets in New**
19 **York, travel to Saint Thomas, payment for a**
20 **divorce attorney, those are pretty clearly**
21 **personal expenditures. Meals, some are**
22 **personal -- some would appear to be personal;**
23 **some there may be an argument about.**
24 Q. Clothing and shoes would be personal?

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1 **A. Those would be personal.**
2 Q. Okay. Do you have any present
3 recollection of the type of transactions
4 applicable to Ms. Stanley --
5 **A. No.**
6 Q. -- that were categorized as personal?
7 **A. No, I do not.**
8 Q. You don't know if any of those were
9 travel, shoes, divorce attorneys?
10 **A. I don't believe any of them relate t**
11 **divorce attorneys.**
12 Q. Okay. All right.
13 **MR. TOWNLEY:** And I believe that's all I
14 have.
15 **MS. MARTIN:** The witness is going to
16 read and sign.
17 (WHEREUPON, THE DEPOSITION WAS CONCLUDED
18 AT 1:25 P.M.)
19 (SIGNATURE IS NOT WAIVED.)

[illegible]

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